



Dave Yost • Auditor of State



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

North Union Local School District  
Union County  
12920 State Route 739  
Richwood, Ohio 43344

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Delaware County, Ohio, as of June 30, 2012 and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the years then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 28, 2013

North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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The discussion and analysis of North Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2012 are as follows:

In total, net assets decreased \$2,519,096, or 17 percent. The majority of the decrease was due to the School District refinancing a portion of the outstanding general obligation bonds.

General revenues were \$23,036,948, or 88 percent of total revenues, and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For North Union Local School District, the General Fund and the Bond Retirement debt service fund are the most significant funds.

North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, food service, extracurricular activities, capital outlay, and debt service disbursements.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.



North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

	Governmental Activities		
	2012	2011	Change
<u>Assets:</u>			
Assets	\$12,224,955	\$14,744,051	(\$2,519,096)
<u>Net Assets:</u>			
Restricted	1,893,264	3,947,581	(2,054,317)
Unrestricted	10,331,691	10,796,470	(464,779)
Total Net Assets	\$12,224,955	\$14,744,051	(\$2,519,096)

The overall change in net assets was 17 percent. For fiscal year 2012, the School District spent resources as part of the debt refunding transaction, purchased several new buses, and continued with ongoing construction projects. In fiscal year 2012, a new negotiated agreement for classified and certified employees increased salary and related disbursements.

Table 2 reflects the changes in net assets for fiscal year 2012 and fiscal year 2011.

	Governmental Activities		
	2012	2011	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$1,253,515	\$1,064,774	\$188,741
Operating Grants, Contributions, and Interest	1,889,329	1,865,984	23,345
Total Program Receipts	3,142,844	2,930,758	212,086
General Receipts			
Property Taxes Levied for General Purposes	3,973,509	3,724,956	248,553
Property Taxes Levied for Classroom Facilities Maintenance	61,242	59,633	1,609
Property Taxes Levied for Debt Service	733,005	681,725	51,280
Property Taxes Levied for Permanent Improvements	156,507	145,662	10,845
Income Taxes Levied for General Purposes	1,611,606	1,581,079	30,527
Grants and Entitlements	7,300,008	7,425,477	(125,469)
Interest	146,185	267,366	(121,181)
Gifts and Donations	6,206	2,000	4,206

(continued)

North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2  
Changes in Net Assets  
(continued)

	Governmental Activities		
	2012	2011	Change
<u>Receipts:</u> (continued)			
General Receipts (continued)			
Miscellaneous	\$146,364	\$155,370	(\$9,006)
Sale of Capital Assets	2,500	0	2,500
General Obligation Bonds Issued	8,595,000	0	8,595,000
Premium on Bonds Issued	304,816	0	304,816
Total General Receipts	<u>23,036,948</u>	<u>14,043,268</u>	<u>8,993,680</u>
Total Receipts	<u>26,179,792</u>	<u>16,974,026</u>	<u>9,205,766</u>
<u>Disbursements:</u>			
Instruction:			
Regular	6,914,869	6,346,640	(568,229)
Special	1,804,367	1,694,772	(109,595)
Vocational	799,758	813,986	14,228
Support Services:			
Pupils	729,916	680,032	(49,884)
Instructional Staff	983,485	945,084	(38,401)
Board of Education	24,685	32,854	8,169
Administration	1,075,750	1,059,201	(16,549)
Fiscal	489,333	482,716	(6,617)
Operation and Maintenance of Plant	2,173,520	1,920,479	(253,041)
Pupil Transportation	1,263,264	997,534	(265,730)
Central	15,143	14,458	(685)
Food Service	639,680	638,711	(969)
Extracurricular Activities	380,437	367,082	(13,355)
Capital Outlay	166,350	119,009	(47,341)
Debt Service:			
Principal Retirement	350,000	490,000	140,000
Interest and Fiscal Charges	630,703	503,600	(127,103)
Payment to Refunded Bond Escrow Agent	10,257,628	0	(10,257,628)
Total Disbursements	<u>28,698,888</u>	<u>17,106,158</u>	<u>(11,592,730)</u>
Decrease in Net Assets	(2,519,096)	(132,132)	(2,386,964)
Net Assets at Beginning of Year	14,744,051	14,876,183	(132,132)
Net Assets at End of Year	<u>\$12,224,955</u>	<u>\$14,744,051</u>	<u>(\$2,519,096)</u>

North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Program receipts increased over 7 percent from the prior fiscal year primarily due to an increase in open enrollment.

The increase in general receipts resulted from the School District's refunding of debt and the new proceeds of the refunding bond issue.

Increases in overall disbursements resulted from the new negotiated agreement for certified and classified employees and an increase in salaries and related costs. In addition, the School District refunded general obligation bonds.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$6,914,869	\$6,346,640	\$5,726,403	\$5,618,348
Special	1,804,367	1,694,772	779,561	422,545
Vocational	799,758	813,986	667,871	682,099
Support Services:				
Pupils	729,916	680,032	729,916	675,032
Instructional Staff	983,485	945,084	983,485	945,084
Board of Education	24,685	32,854	24,685	32,854
Administration	1,075,750	1,059,201	1,075,750	1,059,201
Fiscal	489,333	482,716	489,333	482,716
Operation and Maintenance of Plant	2,173,520	1,920,479	2,173,520	1,920,479
Pupil Transportation	1,263,264	997,534	1,241,626	979,150
Central	15,143	14,458	9,743	7,633
Food Service	639,680	638,711	7,073	11,397
Extracurricular Activities	380,437	367,082	242,397	226,253
Capital Outlay	166,350	119,009	166,350	119,009
Debt Service:				
Principal Retirement	350,000	490,000	350,000	490,000
Interest and Fiscal Charges	630,703	503,600	630,703	503,600
Payment to Refunded Bond Escrow Agent	10,257,628	0	10,257,628	0
Total Disbursements	<u>\$28,698,888</u>	<u>\$17,106,158</u>	<u>\$25,556,044</u>	<u>\$14,175,400</u>

North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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Over 89 percent of the School District's programs were provided for through general receipts in fiscal year 2012 (a decrease of 6 percent from the prior fiscal year). However, note there were a couple of programs which received substantial support through program receipts. Almost 57 percent of special instruction program costs were provided for through program receipts, generally grants restricted to special instruction programs. Program receipts provided for 99 percent of the food service program costs. These resources include cafeteria sales and state and federal grants and commodities for the food service operations. Over 36 percent of program fees cover the costs associated with the extracurricular activities program. Sources of revenue for these programs include music and athletic fees, ticket sales, and gate receipts.

### **The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund had a 4 percent decrease in fund balance from the prior fiscal year. Although receipts increased over 5 percent, disbursements increased over 11 percent; most of this due to salary and related costs resulting from the negotiated agreement for certified and classified employees.

The Bond Retirement Fund had an 85percent decrease in fund balance due to the payment of debt and the refunding of debt.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For receipts, changes from the original budget to the final budget were not significant. The change from the final budget to actual receipts was primarily reflected in intergovernmental receipts and due to the uncertainty of distribution of State foundation; therefore, the School District budgeted conservatively. For disbursements, changes from the original budget to the final budget and from the final budget to actual disbursements were not significant.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2012, the School District had \$39,148,409 in capital assets for governmental activities. The School District is reflecting capital assets at cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the School District's capital assets, refer to Note 7 to the basic financial statements.

#### **Debt**

The School District's outstanding debt at June 30, 2012, consisted of general obligation bonds, in the amount of \$9,032,188. For further information regarding the School District's long-term obligations, refer to Note 12 to the basic financial statements.

North Union Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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**Current Issues**

The Board of Education entered into a negotiated agreement in June 2011 that will be in effect until June 2014. Classified employees are receiving a per hour increase based on class of employee. Certified employees are receiving a base increase dependent on salary scale. The agreement included that all step increases will be frozen in fiscal years 2013 and 2014. To assist in maintaining positive labor relations, the Board of Education and the North Union Education Association have continued to meet in a Labor Relations Committee to address concerns and find potential solutions. The School District will continue to monitor current settlements around the State and develop a negotiation strategy for the next round of negotiations that will be taking place in the spring of 2014. In addition, the School District is constantly evaluating the political climate and success of school districts that attempt to receive additional tax levies. Currently, the climate is not in the least bit favorable for school districts that are going to the voters to pass these additional taxes. North Union Local School District is very thankful to be in our current financial situation; however, will need to be on the ballot in November 2013 for the renewal of the current \$210,000 emergency levy. The School District can use the entire 2014 calendar year to pass this levy as a renewal.

The School District has transitioned to a new employee benefits consortium, the Stark County Council of Governments. This transition took place on September 1, 2012. The School District's prior insurance consortium disbanded.

The School District succeeded in refinancing the existing general obligation bonds. Funds received from the Ohio School Facilities Commission (OSFC) were utilized for debt reduction. The combination of reducing the interest rate, reducing the term of the bonds, and the cash payment from OSFC resources resulted in a significant savings of tax payer resources.

Finally, an issue currently facing the School District, and every other school district in the State of Ohio, is the current economic stability of the State and nation. We are continually monitoring market conditions and foreclosure information. Continued recessionary conditions could mean lower tax collection, budget cuts from the State, and lower investment earnings.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Scott Maruniak, CFO/Treasurer, North Union Local School District, 12920 State Route 739, Richwood, Ohio 43344.

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North Union Local School District  
Statement of Net Assets - Cash Basis  
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$12,208,471
Cash and Cash Equivalents with Fiscal Agent	<u>16,484</u>
Total Assets	<u>12,224,955</u>
 <u>Net Assets:</u>	
Restricted for:	
Capital Projects	\$1,094,399
Debt Service	276,893
Other Purposes	521,972
Unrestricted	<u>10,331,691</u>
Total Net Assets	<u>\$12,224,955</u>

See Accompanying Notes to Basic Financial Statements

North Union Local School District  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,914,869	\$764,794	\$423,672	(\$5,726,403)
Special	1,804,367	0	1,024,806	(779,561)
Vocational	799,758	0	131,887	(667,871)
Support Services:				
Pupils	729,916	0	0	(729,916)
Instructional Staff	983,485	0	0	(983,485)
Board of Education	24,685	0	0	(24,685)
Administration	1,075,750	0	0	(1,075,750)
Fiscal	489,333	0	0	(489,333)
Operation and Maintenance of Plant	2,173,520	0	0	(2,173,520)
Pupil Transportation	1,263,264	0	21,638	(1,241,626)
Central	15,143	0	5,400	(9,743)
Food Service	639,680	360,986	271,621	(7,073)
Extracurricular Activities	380,437	127,735	10,305	(242,397)
Capital Outlay	166,350	0	0	(166,350)
Debt Service:				
Principal Retirement	350,000	0	0	(350,000)
Interest and Fiscal Charges	630,703	0	0	(630,703)
Payment to Refunded Bond Escrow Agent	10,257,628	0	0	(10,257,628)
<b>Total Governmental Activities</b>	<u>\$28,698,888</u>	<u>\$1,253,515</u>	<u>\$1,889,329</u>	<u>(25,556,044)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,973,509
Classroom Facilities Maintenance				61,242
Debt Service				733,005
Permanent Improvements				156,507
Income Taxes Levied for General Purposes				1,611,606
Grants and Entitlements not Restricted to Specific Programs				7,300,008
Interest				146,185
Gifts and Donations				6,206
Miscellaneous				146,364
Sale of Capital Assets				2,500
General Obligation Bonds Issued				8,595,000
Premium on Bonds Issued				304,816
<b>Total General Receipts</b>				<u>23,036,948</u>
Change in Net Assets				(2,519,096)
Net Assets at Beginning of Year				<u>14,744,051</u>
Net Assets at End of Year				<u>\$12,224,955</u>

See Accompanying Notes to Basic Financial Statements



North Union Local School District  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,331,691	\$260,409	\$1,616,371	\$12,208,471
Cash and Cash Equivalents with Fiscal Agent	0	16,484	0	16,484
Total Assets	<u>\$10,331,691</u>	<u>\$276,893</u>	<u>\$1,616,371</u>	<u>\$12,224,955</u>
<u>Fund Balances:</u>				
Restricted	\$0	\$276,893	\$1,616,371	\$1,893,264
Assigned	1,183,065	0	0	1,183,065
Unassigned	<u>9,148,626</u>	<u>0</u>	<u>0</u>	<u>9,148,626</u>
Total Fund Balances	<u>\$10,331,691</u>	<u>\$276,893</u>	<u>\$1,616,371</u>	<u>\$12,224,955</u>

See Accompanying Notes to Basic Financial Statements

North Union Local School District  
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$3,973,509	\$733,005	\$217,749	\$4,924,263
Income Taxes	1,611,606	0	0	1,611,606
Intergovernmental	7,763,700	108,196	1,306,811	9,178,707
Interest	142,195	0	4,315	146,510
Tuition and Fees	764,794	0	0	764,794
Extracurricular Activities	0	0	127,735	127,735
Charges for Services	0	0	360,986	360,986
Gifts and Donations	6,206	0	10,305	16,511
Miscellaneous	144,669	0	1,695	146,364
<b>Total Receipts</b>	<b>14,406,679</b>	<b>841,201</b>	<b>2,029,596</b>	<b>17,277,476</b>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,656,623	0	258,246	6,914,869
Special	1,469,461	0	334,906	1,804,367
Vocational	799,758	0	0	799,758
Support Services:				
Pupils	674,516	0	55,400	729,916
Instructional Staff	670,915	0	312,570	983,485
Board of Education	24,685	0	0	24,685
Administration	1,073,439	1,785	526	1,075,750
Fiscal	471,335	13,875	4,123	489,333
Operation and Maintenance of Plant	1,838,316	0	335,204	2,173,520
Pupil Transportation	940,171	0	323,093	1,263,264
Central	9,743	0	5,400	15,143
Food Service	0	0	639,680	639,680
Extracurricular Activities	242,496	0	137,941	380,437
Capital Outlay	0	0	166,350	166,350
Debt Service:				
Principal Retirement	0	350,000	0	350,000
Interest and Fiscal Charges	0	630,703	0	630,703
<b>Total Disbursements</b>	<b>14,871,458</b>	<b>996,363</b>	<b>2,573,439</b>	<b>18,441,260</b>
Excess of Revenues				
Under Expenditures	(464,779)	(155,162)	(543,843)	(1,163,784)
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	2,500	2,500
General Obligation Bonds Issued	0	8,595,000	0	8,595,000
Premium on Bonds Issued	0	304,816	0	304,816
Payment to Refunded Bond Escrow Agent	0	(10,257,628)	0	(10,257,628)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(1,357,812)</b>	<b>2,500</b>	<b>(1,355,312)</b>
<b>Changes in Fund Balances</b>	<b>(464,779)</b>	<b>(1,512,974)</b>	<b>(541,343)</b>	<b>(2,519,096)</b>
<b>Fund Balances at Beginning of Year</b>	<b>10,796,470</b>	<b>1,789,867</b>	<b>2,157,714</b>	<b>14,744,051</b>
<b>Fund Balances at End of Year</b>	<b>\$10,331,691</b>	<b>\$276,893</b>	<b>\$1,616,371</b>	<b>\$12,224,955</b>

See Accompanying Notes to Basic Financial Statements

North Union Local School District  
Statement of Receipts, Disbursements, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Over (Under)
<u>Receipts:</u>				
Property Taxes	\$4,041,400	\$4,041,400	\$3,973,509	(\$67,891)
Income Taxes	1,558,098	1,482,903	1,611,606	128,703
Intergovernmental	7,348,189	7,258,364	7,763,700	505,336
Interest	257,731	125,242	143,066	17,824
Tuition and Fees	552,824	671,476	764,794	93,318
Gifts and Donations	7,676	7,724	6,206	(1,518)
Miscellaneous	127,291	129,084	130,434	1,350
<b>Total Receipts</b>	<b>13,893,209</b>	<b>13,716,193</b>	<b>14,393,315</b>	<b>677,122</b>
<u>Disbursements:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	6,310,008	6,969,714	6,918,266	51,448
Special	1,583,056	1,541,848	1,534,751	7,097
Vocational	880,631	858,271	857,725	546
<u>Support Services:</u>				
Pupils	801,012	708,818	708,818	0
Instructional Staff	744,605	723,645	719,108	4,537
Board of Education	61,871	41,300	41,300	0
Administration	1,324,188	1,155,042	1,154,958	84
Fiscal	590,061	529,306	555,143	(25,837)
Operation and Maintenance of Plant	2,573,309	2,342,980	2,277,446	65,534
Pupil Transportation	1,167,037	982,435	979,521	2,914
Central	2,906	9,743	9,743	0
Extracurricular Activities	359,284	243,914	243,914	0
Capital Outlay	617	0	0	0
<b>Total Disbursements</b>	<b>16,398,585</b>	<b>16,107,016</b>	<b>16,000,693</b>	<b>106,323</b>
Excess of Receipts Under Disbursements	(2,505,376)	(2,390,823)	(1,607,378)	783,445
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	14,235	14,235	0
Advances Out	(5,000)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>14,235</b>	<b>14,235</b>	<b>0</b>
<b>Changes in Fund Balance</b>	<b>(2,510,376)</b>	<b>(2,376,588)</b>	<b>(1,593,143)</b>	<b>783,445</b>
Fund Balance at Beginning of Year	9,902,986	9,902,986	9,902,986	0
Prior Year Encumbrances Appropriated	892,525	892,525	892,525	0
<b>Fund Balance at End of Year</b>	<b>\$8,285,135</b>	<b>\$8,418,923</b>	<b>\$9,202,368</b>	<b>\$783,445</b>

See Accompanying Notes to Basic Financial Statements

North Union Local School District  
Statement of Cash Basis Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$201,502	\$77,834
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$125,575	\$0
Held for Student Activities	0	77,834
Endowments	75,927	0
Total Net Assets	\$201,502	\$77,834

See Accompanying Notes to Basic Financial Statements

North Union Local School District  
Statement of Cash Basis Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2012

Additions:

Interest	\$1,596
Gifts and Donations	11,710
Total Additions	<u>13,306</u>

Deductions:

Non-Instructional Services	<u>11,178</u>
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Change in Net Assets 2,128

Net Assets at Beginning of Year	<u>199,374</u>
Net Assets at End of Year	<u><u>\$201,502</u></u>

See Accompanying Notes to Basic Financial Statements

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

North Union Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 355<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-one classified employees, one hundred nine certified teaching personnel, and ten administrative employees who provide services to 1,531 students and other community members. The School District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For North Union Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the North Union Local School District.

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Metropolitan Education Council, Tri-Rivers Joint Vocational School, Ohio School Plan, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

**General Fund** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bond Retirement Fund** - The Bond Retirement Fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and payroll withholdings and deductions.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the Richwood Banking Company, who services the School District's bond/coupon account, are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2012, the School District invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2012.

The Board of Education has allocated interest earnings according to state statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$142,195, which includes \$30,315 assigned from other School District funds.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**F. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**H. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**NOTE 3 - DEPOSITS AND INVESTMENTS** (continued)

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Investments**

As of June 30, 2012, the School District had the following investments.

	Carrying Value	Maturity
Federal National Mortgage Association Notes	\$500,000	4/15/13
Star Ohio	22,574	52.5 days average
	\$522,574	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**NOTE 3 - DEPOSITS AND INVESTMENTS** (continued)

The Federal National Mortgage Association Notes carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	\$500,000	95.68%

**NOTE 4 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 4 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$152,689,770	91.47%	\$153,704,700	91.26%
Industrial/Commercial	6,331,260	3.79	6,434,870	3.82
Public Utility	7,915,300	4.74	8,292,830	4.92
Total Assessed Value	\$166,936,330	100.00%	\$168,432,400	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.70		\$37.55	

**NOTE 5 - INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$288,011	\$0	\$0	\$288,011
Construction In Progress	57,625	493,648	(164,153)	387,120
Total Nondepreciable Capital Assets	345,636	493,648	(164,153)	675,131
Depreciable Capital Assets				
Land Improvements	772,503	164,153	0	936,656
Buildings and Building Improvements	34,908,663	0	0	34,908,663
Furniture, Fixtures, and Equipment	943,407	32,687	0	976,094
Vehicles	1,344,069	361,261	(53,465)	1,651,865
Total Depreciable Capital Assets	37,968,642	558,101	(53,465)	38,473,278
Governmental Activities Capital Assets	\$38,314,278	\$1,051,749	(\$217,618)	\$39,148,409

**NOTE 7 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$5,000,000
Total per Year	7,000,000
Automobile Liability	5,000,000
Buildings and Contents - replacement cost	57,035,625

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2012, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The School District participated in the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), a public entity shared risk pool consisting of eight school districts and the Madison/Champaign County and Educational Service Center of Central Ohio. The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



**NOTE 8 - DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$802,104 and \$34,483 for the fiscal year ended June 30, 2012, \$791,299 and \$32,236 for the fiscal year ended June 30, 2011, and \$776,312 and \$36,613 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$6,741 made by the School District and \$4,815 made by the plan members. In addition, member contributions of \$24,631 were made for fiscal year 2012 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$256,216, \$229,192, and \$249,001, respectively. For fiscal year 2012, 46 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$64,871, \$63,757, and \$62,906, respectively. For fiscal year 2012, 83 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**NOTE 9 - POSTEMPLOYMENT BENEFITS** (continued)

**B. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care.

In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$39,986 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$11,096, \$27,751, and \$8,962, respectively. For fiscal year 2012, 46 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$15,131, \$14,749, and \$14,808, respectively. For fiscal year 2012, 46 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of fifty days for all employees. Employees who have accumulated more than one hundred twenty days of sick leave may, at retirement, be granted up to an additional five days of sick leave payment dependent on their years of service with the School District.

**B. Employee Insurance Benefits**

The School District offers medical and dental insurance to all employees through the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Life insurance is offered to all employees through Unum Provident.

**C. Separation Benefits**

The School District offers a separation benefit in addition to regular severance benefits and STRS pension benefits to certified employees who notify the School District of their retirement by July 9<sup>th</sup> of that year and they meet one of the following conditions:

Criteria	Cash Benefit
55 or older and 25 years of service or 30 years of service	\$5,000
55 or older and 26 years of service or 31 years of service	\$3,000
55 or older and 27 years of service or 32 years of service	\$1,000

**NOTE 11 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2003 General Obligation Bonds					
Serial Bonds 3-4.75%	\$5,265,000	\$0	\$4,905,000	\$360,000	\$360,000
Term Bonds 4.75-5.0%	5,475,000	0	5,475,000	0	0

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS** (continued)

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities (continued)					
General Long-Term Obligations (continued)					
FY 2012 Refunding General Obligation Bonds					
Serial Bonds 1.5-3%	\$0	\$8,595,000	\$0	\$8,595,000	\$115,000
Bond Premium	0	304,816	0	304,816	0
Accounting Loss	0	(227,628)	0	(227,628)	0
Total General Obligation Bonds	<u>\$10,740,000</u>	<u>\$8,672,188</u>	<u>\$10,380,000</u>	<u>\$9,032,188</u>	<u>\$475,000</u>

FY 2003 General Obligation Bonds - On August 29, 2002, the School District issued general obligation bonds for constructing and renovating the School District's buildings. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$6,945,000, \$5,475,000, and \$579,989, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2031. During fiscal year 2012, a portion of the serial bonds and all of the term bonds were refunded, in the amounts of \$4,555,000 and \$5,475,000, respectively. The bonds are being repaid from the Bond Retirement debt service fund. The capital appreciation bonds were fully retired during fiscal year 2009.

FY 2012 Refunding General Obligation Bonds - On April 25, 2012, the School District issued bonds, in the amount of \$8,595,000, to partially refund bonds previously issued in fiscal year 2003 for constructing and renovating the School District's buildings. The refunding bond issue consists of serial bonds, in the amount of \$8,595,000. The bonds were issued at a premium of \$304,816. The bonds were issued for a seventeen year period, with final maturity in fiscal year 2029. The bonds are being repaid from the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$10,257,628, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the fiscal year 2003 general obligation bonds. As a result, \$10,030,000 of the fiscal year 2003 general obligation bonds are considered to be defeased and the liability for the bonds has been removed from the School District's financial statements. At June 30, 2012, \$10,030,000 of the debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$227,628, the School District in effect decreased its aggregate debt service payments by \$3,351,691 over the next seventeen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$2,038,219.

The serial bonds maturing on or after December 1, 2020, are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2019, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The School District's overall debt margin was \$5,734,454 with an unvoted debt margin of \$160,140 at June 30, 2012.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**NOTE 11 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Serial	Interest	Total
2013	\$475,000	\$705,153	\$1,180,153
2014	615,000	218,825	833,825
2015	630,000	200,150	830,150
2016	650,000	180,950	830,950
2017	670,000	161,150	831,150
2018-2022	2,425,000	618,988	3,043,988
2023-2027	2,425,000	330,412	2,755,412
2028-2029	1,065,000	32,175	1,097,175
	\$8,955,000	\$2,447,803	\$11,402,803

**NOTE 12 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$65,611	\$65,611
Building Construction	0	0	532,691	532,691
Debt Retirement	0	276,893	0	276,893
Food Service Operations	0	0	79,128	79,128
Permanent Improvements	0	0	561,708	561,708
Regular Instruction	0	0	14,062	14,062
School Facilities				
Maintenance	0	0	359,405	359,405
Special Instruction	0	0	3,766	3,766
Total Restricted	0	276,893	1,616,371	1,893,264
Assigned for:				
Extracurricular Activities	76,781	0	0	76,781
Unpaid Obligations	1,106,284	0	0	1,106,284
Total Assigned	1,183,065	0	0	1,183,065
Unassigned	9,148,626	0	0	9,148,626
Total Fund Balance	\$10,331,691	\$276,893	1,616,371	12,224,955

**NOTE 13 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future fiscal years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	<u>Capital Improvements</u>
Balance June 30, 2011	\$0
Current Year Set Aside Requirement	252,728
Current Year Offsets	<u>(252,728)</u>
Set Aside Reserve Balance June 30, 2012	<u><u>\$0</u></u>

**NOTE 14 - DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$75,927, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$125,575 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Education Council**

The Metropolitan Education Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

The School District also participates in the Metropolitan Education Council (MEC) computer consortium. This is an association of public school districts within the boundaries of Franklin, Union, Madison, Pickaway, and Fairfield Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of the MEC computer consortium consists of the superintendent, his designee, or a member of the board of education of each participating school district, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. During fiscal year 2012, the School District paid \$43,964 to the MEC for various services. Financial information for both the purchasing cooperative and computer consortium can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

**B. Tri-Rivers Joint Vocational School**

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**NOTE 16 - INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.



**NOTE 16 - INSURANCE POOLS** (continued)

**C. Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust**

The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), is a public entity shared risk pool consisting of eight school districts and the Madison/Champaign County and Delaware/Union County Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust, Huntington Center HC1142, Columbus, Ohio, 43287.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 37,707	\$ 37,707
Cash Assistance			
School Breakfast Program	10.553	40,722	40,722
National School Lunch Program	10.555	<u>224,244</u>	<u>224,244</u>
Total United States Department of Agriculture		<u>302,673</u>	<u>302,673</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	245,678	251,893
Special Education Cluster:			
Special Education Grants to States	84.027	268,001	265,381
Special Education Preschool Grants	84.173	4,455	4,455
ARRA - Special Education Preschool Grants	84.392	<u>10,753</u>	<u>19,514</u>
Total Special Education Cluster		<u>283,209</u>	<u>289,350</u>
Education Technology State Grants	84.318	932	932
Education Jobs Fund	84.410	283,825	281,277
Improving Teacher Quality State Grants	84.367	64,267	65,709
ARRA- Race to the Top Incentive Grant	84.395	<u>77,098</u>	<u>64,436</u>
Total United States Department of Education		<u>955,009</u>	<u>953,597</u>
<b>Total Federal Awards</b>		<u><b>\$ 1,257,682</b></u>	<u><b>\$ 1,256,270</b></u>

*The accompanying notes are an integral part of this schedule.*

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the North Union Local School District's (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

North Union Local School District  
Union County  
12920 State Route 739  
Richwood, Ohio 43344

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. . The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 28, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

North Union Local School District  
Union County  
12920 State Route 739  
Richwood, Ohio 43344

To the Board of Education:

### Compliance

We have audited the compliance of North Union Local School District, Union County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with these requirements.

In our opinion, the North Union Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 28, 2013



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #84.027, 84.173, 84.392 – Special Education Grants to State Cluster  CFDA #84.410 – Education Jobs Fund  CFDA #10.553, 10.555– Child Nutrition Cluster
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Revised Code § 117.38 – Filing of GAAP statements	Yes	Finding No Longer Valid
2011-002	State Fiscal Stabilization Fund – Period of availability	Yes	Finding No Longer Valid



# Dave Yost • Auditor of State

**NORTH UNION LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2013**