



Dave Yost • Auditor of State



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Union Local School District  
Belmont County  
66779 Belmont-Morristown Road  
Belmont, Ohio 43718

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the School District presented the financial statements in accordance with Generally Accepted Accounting Principles for the first time since fiscal year 2009. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, on our consideration of the School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 10, 2014

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**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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The discussion and analysis of 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, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- Net position increased \$762,760.
- General revenues accounted for \$11,702,946 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$3,535,279 or 23 percent of total revenues in the amount of \$15,237,775.
- Total assets increased \$675,617, primarily due to increases in cash and cash equivalents, property taxes receivable and intergovernmental receivables, which were offset by annual depreciation of capital assets. Total liabilities decreased \$267,083 primarily due to debt service payments on long-term obligations.
- The School District had \$14,475,015 in expenses related to governmental activities; only \$3,535,279 of these expenses were offset by program specific charges for services, and operating grants and contributions. General revenues in the amount of \$11,702,946 were adequate to provide for these programs.
- Total Governmental funds had \$15,196,035 in revenues and \$14,279,763 in expenditures. Overall, including other financing sources and uses, total Governmental funds' balance increased \$976,863.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Union Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and concerns.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 one column. In the case of Union Local School District, the General Fund and the Debt Service Fund are the only major or significant funds.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors 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 Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities:

- Governmental Activities – The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, debt service and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**Reporting the District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported as agency funds. The School District's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1			
Net Position			
Governmental Activities			
	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$6,153,820	\$4,995,422	\$1,158,398
Capital Assets	12,935,948	13,418,729	(482,781)
<b>Total Assets</b>	<u>19,089,768</u>	<u>18,414,151</u>	<u>675,617</u>
<b>Liabilities</b>			
Long-Term Liabilities	2,626,344	2,851,598	(225,254)
Other Liabilities	1,801,735	1,843,564	(41,829)
<b>Total Liabilities</b>	<u>4,428,079</u>	<u>4,695,162</u>	<u>(267,083)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	<u>3,133,845</u>	<u>2,953,905</u>	<u>179,940</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,018,384	11,240,663	(222,279)
Restricted	1,300,180	914,203	385,977
Unrestricted (Deficit)	(790,720)	(1,389,782)	599,062
<b>Total Net Position</b>	<u>\$11,527,844</u>	<u>\$10,765,084</u>	<u>\$762,760</u>

Total assets increased \$675,617, primarily due to increases in cash and cash equivalents, property taxes receivable, and intergovernmental receivables. The decrease in capital assets is primarily due to annual depreciation.

Total liabilities decreased \$267,083, primarily due to decreases in long-term liabilities. The decrease in long-term liabilities is primarily due to annual debt service payments on long-term obligations.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

Table 2 shows the changes in net position for fiscal year 2013. Since the School District did not prepare financial statements in accordance with GASB Statement No. 34 in the prior year, revenue and expense comparisons between fiscal years 2013 and 2012 are not available. In future years, when prior financial information is available, a comparative analysis of government-wide data will be presented.

Table 2  
Changes in Net Position  
Governmental Activities

	2013
<b>Revenues</b>	
<i>Program Revenue</i>	
Charges for Services	\$1,666,245
Operating Grants	1,869,034
<b>Total Program Revenue</b>	<b>3,535,279</b>
<i>General Revenue</i>	
Property Taxes	3,313,018
Grants and Entitlements	8,205,929
Gifts and Donations	19,702
Investments	5,055
Miscellaneous	158,792
<i>Total General Revenue</i>	11,702,496
<b>Total Revenues</b>	<b>15,237,775</b>
<b>Program Expenses</b>	
Instruction:	
Regular	6,834,269
Special	1,999,396
Vocational	501,999
Student Intervention Services	2,501
Support Services:	
Pupil	550,150
Instructional Staff	366,526
Board of Education	70,751
Administration	1,020,163
Fiscal	326,392
Operation and Maintenance of Plant	1,132,160
Pupil Transportation	798,865
Central	40,348
Operation of Non-Instructional Services	2,619
Food Service Operations	431,928
Extracurricular Activities	304,433
Interest and Fiscal Charges	92,515
<b>Total Expenses</b>	<b>14,475,015</b>
Change in Net Position	762,760
Net Position Beginning of Year - Restated	10,765,084
<b>Net Position End of Year</b>	<b>\$11,527,844</b>

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

***Governmental Activities***

Property taxes comprise approximately 22 percent of revenues for the School District in fiscal year 2013.

Instruction comprises approximately 65 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Since the School District did not prepare financial statements in accordance with GASB Statement No. 34 in the prior year, comparisons between fiscal years 2013 and 2012 are not available. In future years, when prior financial information is available, a comparative analysis of government-wide data will be presented.

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2013	2013
Instruction:		
Regular	\$6,834,269	\$5,051,093
Special	1,999,396	1,512,097
Vocational	501,999	402,718
Student Intervention Services	2,501	(74)
Support Services		
Pupil	550,150	401,120
Instructional Staff	366,526	192,508
Board of Education	70,751	70,751
Administration	1,020,163	813,441
Fiscal	326,392	278,487
Operation and Maintenance of Plant	1,132,160	1,050,087
Pupil Transportation	798,865	777,658
Central	40,348	38,862
Operation of Non-Instructional Services	2,619	(153)
Food Service Operations	431,928	23,116
Extracurricular Activities	304,433	235,510
Interest and Fiscal Charges	92,515	92,515
Total Expenses	\$14,475,015	\$10,939,736

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 76 percent of program expenses are supported through taxes and other general revenues.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The School District has two major funds, the General Fund and the Debt Service Fund. The General Fund had \$12,839,214 in revenues and \$12,000,445 in expenditures. Including other financing sources and uses, the General Fund's balance increased \$892,946. The Debt Service Fund had revenues in the amount of \$426,120 and expenditures in the amount of \$300,872, which resulted in a fund balance increase in the amount of \$125,248.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2013, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflect an overall increase revenue estimates. Changes between the original and the final appropriations were not significant. The actual results of operations were slightly different than budgeted amounts as spending in almost all categories was lower than budgeted appropriations; the difference between actual revenues and final estimates were not significant.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2013, the School District had \$12,935,948 invested in land and land improvements, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2013 balances compared to 2012:

Table 4  
Capital Assets Net of Depreciation  
Government Activities

	2013	2012
Land and Land Improvements	\$1,842,760	\$1,842,760
Construction in Progress	9,757	0
Land Improvements	135,845	0
Buildings and Improvements	10,565,707	11,140,855
Furniture, Fixtures, and Equipment	76,886	100,186
Vehicles	304,993	334,928
Totals	\$12,935,948	\$13,418,729

For more information on capital assets see Note 10 to the basic financial statements.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**Debt**

At June 30, 2013, the School District had \$1,655,899 outstanding in general obligation bonds, including premiums, accretion of interest with \$265,000 due within one year. The School District also had \$433,240 outstanding in capital leases with \$70,397 due within one year.

Table 5 summarizes bonds and capital leases outstanding:

Table 5  
 Outstanding Debt at Year End  
 Government Activities

	2013	2012
1997 School Improvement Bonds		
Serial Bonds	\$0	\$205,000
2007 Refunding Bonds		
Serial/Term Bonds	1,145,000	1,180,000
Capital Appreciation Bonds	264,996	264,996
Accretion of Interest on CABs	171,575	139,297
Bond Premium	74,328	87,070
Capital Leases	433,240	441,000
Total	\$2,089,139	\$2,317,363

See Note 16 for more detailed information on the School District's debt.

**Economic Factors**

The School District has benefited economically from the continuing expansion of the oil and gas industry in Belmont County. The School District has entered into gas and oil leases on its property located in Union and Goshen Townships. The School District has received, or is due to receive, signing bonuses as part of the lease agreements. In addition, the School District has the potential to receive royalty payments in accordance with the leases. See Contingency Note 20 for further details on the School District's oil and gas leases.

In addition to the increases in property tax revenue that the School District is receiving as a result of increased assessed valuation related to the development of the oil and gas industry, ancillary businesses have been constructed, or are in the process of being constructed, within the School District. These new constructions allow for new and increased tax revenue opportunities.

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Janet S. Hissrich, Treasurer/CFO at Union Local School District, 66779 Belmont-Morristown Road, Belmont, Ohio 43718.

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**Union Local School District**  
*Statement of Net Position*  
*June 30, 2013*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,913,670
Accounts Receivable	3,011
Intergovernmental Receivable	373,719
Materials and Supplies Inventory	19,227
Property Taxes Receivable	3,844,193
Non-Depreciable Capital Assets	1,852,517
Depreciable Capital Assets, Net	11,083,431
<i>Total Assets</i>	19,089,768
<b>Liabilities</b>	
Accounts Payable	48,324
Accrued Wages and Benefits Payable	1,212,952
Intergovernmental Payable	307,437
Matured Severance Payable	189,691
Accrued Interest Payable	2,933
Retainage Payable	40,398
Long-Term Liabilities:	
Due Within One Year	423,329
Due In More Than One Year	2,203,015
<i>Total Liabilities</i>	4,428,079
<b>Deferred Inflows of Resources</b>	
Property Taxes	3,133,845
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	11,018,384
Restricted for:	
Capital Projects	48,113
Debt Service	882,727
Classroom Facilities Maintenance	157,259
Local Programs	45,513
State Programs	43,092
Federal Programs	93,317
Food Service	19,159
Other Purposes	11,000
Unrestricted	(790,720)
<i>Total Net Position</i>	\$11,527,844

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$6,834,269	\$1,482,943	\$300,233	(\$5,051,093)
Special	1,999,396	0	487,299	(1,512,097)
Vocational	501,999	0	99,281	(402,718)
Student Intervention Services	2,501	0	2,575	74
Support Services:				
Pupil	550,150	0	149,030	(401,120)
Instructional Staff	366,526	0	174,018	(192,508)
Board of Education	70,751	0	0	(70,751)
Administration	1,020,163	0	206,722	(813,441)
Fiscal	326,392	0	47,905	(278,487)
Operation and Maintenance of Plant	1,132,160	7,005	75,068	(1,050,087)
Pupil Transportation	798,865	0	21,207	(777,658)
Central	40,348	0	1,486	(38,862)
Operation of Non-Instructional Services	2,619	0	2,772	153
Food Service Operations	431,928	107,374	301,438	(23,116)
Extracurricular Activities	304,433	68,923	0	(235,510)
Interest and Fiscal Charges	92,515	0	0	(92,515)
<i>Total Governmental Activities</i>	<u>\$14,475,015</u>	<u>\$1,666,245</u>	<u>\$1,869,034</u>	<u>(10,939,736)</u>
<b>General Revenues</b>				
				2,950,874
Property Taxes Levied for General Purposes				311,680
Property Taxes Levied for Debt Service				50,464
Property Taxes Levied for Classroom Facilities Maintenance				8,205,929
Grants and Entitlements not Restricted to Specific Programs				19,702
Gifts and Donations				5,055
Investment Earnings				158,792
Miscellaneous				<u>11,702,496</u>
<i>Total General Revenues</i>				<u>11,702,496</u>
Change in Net Position				762,760
<i>Net Position Beginning of Year - Restated (Note 3)</i>				<u>10,765,084</u>
<i>Net Position End of Year</i>				<u><u>\$11,527,844</u></u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$601,992	\$816,269	\$444,011	\$1,862,272
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,000	0	40,398	51,398
Receivables:				
Property Taxes	3,446,347	343,720	54,126	3,844,193
Accounts	3,011	0	0	3,011
Intergovernmental	187,127	0	186,592	373,719
Interfund	12,601	0	0	12,601
Materials and Supplies Inventory	10,225	0	9,002	19,227
<i>Total Assets</i>	<u>\$4,272,303</u>	<u>\$1,159,989</u>	<u>\$734,129</u>	<u>\$6,166,421</u>
<b>Liabilities</b>				
Accounts Payable	\$46,158	\$0	\$2,166	\$48,324
Accrued Wages and Benefits	1,123,181	0	89,771	1,212,952
Matured Severance Payable	189,691	0	0	189,691
Interfund Payable	0	0	12,601	12,601
Intergovernmental Payable	286,938	0	20,499	307,437
Retainage Payable	0	0	40,398	40,398
<i>Total Liabilities</i>	<u>1,645,968</u>	<u>0</u>	<u>165,435</u>	<u>1,811,403</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	2,816,068	274,329	43,448	3,133,845
Unavailable Revenue	418,622	29,770	166,011	614,403
<i>Total Deferred Inflows of Resources</i>	<u>3,234,690</u>	<u>304,099</u>	<u>209,459</u>	<u>3,748,248</u>
<b>Fund Balances (Deficit)</b>				
Nonspendable:				
Inventories	10,225	0	9,002	19,227
Restricted for:				
Capital Outlay	0	0	48,113	48,113
Debt Service	0	855,890	0	855,890
Classroom Facilities Maintenance	0	0	152,483	152,483
Local Programs	0	0	45,513	45,513
State Programs	0	0	43,092	43,092
Food Service Operations	0	0	10,157	10,157
Underground Storage Tank Premium	11,000	0	0	11,000
Committed to Capital Projects	0	0	118,793	118,793
Unassigned	(629,580)	0	(67,918)	(697,498)
<i>Total Fund Balances (Deficit)</i>	<u>(608,355)</u>	<u>855,890</u>	<u>359,235</u>	<u>606,770</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,272,303</u>	<u>\$1,159,989</u>	<u>\$734,129</u>	<u>\$6,166,421</u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2013*

**Total Governmental Fund Balances** \$606,770

*Amounts reported for governmental activities in the  
statement of net position are different because*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 12,935,948

Other long-term assets are not available to pay for current-  
period expenditures and therefore are reported as deferred inflows of resources in the funds:

Intergovernmental	161,235
Property Taxes	299,393
Tuition and Fees	<u>153,775</u>

Total 614,403

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas  
in the governmental funds, an interest expenditure is reported when due. (2,933)

Some long-term liabilities are not due and payable in the current  
period and, therefore, are not reported in the funds:

General Obligation Serial Bonds	1,145,000
General Obligation Capital Appreciation Bonds	264,996
Capital Appreciation Bond Accretion	171,575
Bond Premium	74,328
Capital Leases	433,240
Compensated Absences	<u>537,205</u>

Total (2,626,344)

*Net Position of Governmental Activities* \$11,527,844

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,998,060	\$315,162	\$51,638	\$3,364,860
Intergovernmental	8,305,210	46,125	1,630,046	9,981,381
Interest	4,580	0	475	5,055
Tuition and Fees	1,482,943	0	0	1,482,943
Extracurricular Activities	7,458	0	61,465	68,923
Rent	7,005	0	0	7,005
Gifts and Donations	3,271	0	16,431	19,702
Charges for Services	0	0	107,374	107,374
Miscellaneous	30,687	64,833	63,272	158,792
<i>Total Revenues</i>	<u>12,839,214</u>	<u>426,120</u>	<u>1,930,701</u>	<u>15,196,035</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,061,174	0	352,402	6,413,576
Special	1,511,637	0	414,381	1,926,018
Vocational	481,413	0	0	481,413
Student Intervention Services	45	0	2,456	2,501
Support Services:				
Pupil	396,613	0	144,328	540,941
Instructional Staff	188,697	0	159,514	348,211
Board of Education	70,751	0	0	70,751
Administration	805,085	0	196,234	1,001,319
Fiscal	307,708	8,163	1,353	317,224
Operation and Maintenance of Plant	1,095,223	0	55,535	1,150,758
Pupil Transportation	732,094	0	30,726	762,820
Central	38,706	0	1,632	40,338
Operation of Non-Instructional Services	0	0	2,619	2,619
Food Service Operations	0	0	390,008	390,008
Extracurricular Activities	220,994	0	59,619	280,613
Capital Outlay	0	0	167,639	167,639
Debt Service:				
Principal Retirement	68,351	240,000	0	308,351
Interest and Fiscal Charges	21,954	52,709	0	74,663
<i>Total Expenditures</i>	<u>12,000,445</u>	<u>300,872</u>	<u>1,978,446</u>	<u>14,279,763</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>838,769</u>	<u>125,248</u>	<u>(47,745)</u>	<u>916,272</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	60,591	0	0	60,591
Transfers In	0	0	6,414	6,414
Transfers Out	(6,414)	0	0	(6,414)
Total Other Financing Sources (Uses)	<u>54,177</u>	<u>0</u>	<u>6,414</u>	<u>60,591</u>
<i>Net Change in Fund Balances</i>	892,946	125,248	(41,331)	976,863
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>(1,501,301)</u>	<u>730,642</u>	<u>400,566</u>	<u>(370,093)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$608,355)</u>	<u>\$855,890</u>	<u>\$359,235</u>	<u>\$606,770</u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

**Net Change in Fund Balances - Total Governmental Funds** \$976,863

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Assets Additions	196,444	
Depreciation	(679,225)	
Total	(482,781)	(482,781)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Intergovernmental	93,582	
Property Taxes	(51,842)	
Total	41,740	41,740

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	240,000	
Capital Leases	68,351	
Total	308,351	308,351

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of activities

Accrued Interest	1,684	
Accretion on Capital Appreciation Bonds	(32,278)	
Total	(30,594)	(30,594)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the statement of activities. 12,742

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities. (60,591)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  
Compensated Absences (2,970)

*Changes in Net Position of Governmental Activities* \$762,760

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$2,798,000	\$2,954,923	\$2,956,331	\$1,408
Intergovernmental	8,107,920	8,273,579	8,273,579	0
Interest	4,488	4,576	4,580	4
Tuition and Fees	1,453,251	1,482,918	1,482,943	25
Extracurricular Activities	6,865	6,208	6,208	0
Rent	6,084	6,995	7,005	10
Gifts and Donations	3,206	3,271	3,271	0
Miscellaneous	33,776	34,466	34,466	0
<i>Total Revenues</i>	<u>12,413,590</u>	<u>12,766,936</u>	<u>12,768,383</u>	<u>1,447</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,113,894	6,046,042	6,030,869	15,173
Special	1,497,566	1,507,689	1,451,904	55,785
Vocational	533,608	539,976	536,550	3,426
Student Intervention Services	0	0	45	(45)
Support Services:				
Pupil	406,910	425,053	421,601	3,452
Instructional Staff	107,771	199,019	195,742	3,277
Board of Education	96,224	90,510	86,720	3,790
Administration	906,168	791,101	791,320	(219)
Fiscal	304,143	318,979	318,470	509
Operation and Maintenance of Plant	1,186,108	1,188,673	1,183,646	5,027
Pupil Transportation	788,287	758,187	752,151	6,036
Central	34,450	36,650	37,093	(443)
Extracurricular Activities	226,306	228,306	225,135	3,171
Debt Service:				
Principal Retirement	54,210	56,000	56,000	0
Interest and Fiscal Charges	18,000	17,576	17,576	0
<i>Total Expenditures</i>	<u>12,273,645</u>	<u>12,203,761</u>	<u>12,104,822</u>	<u>98,939</u>
Excess of Revenues Over Expenditures	<u>139,945</u>	<u>563,175</u>	<u>663,561</u>	<u>100,386</u>
<b>Other Financing Uses</b>				
Advances Out	0	(11,486)	(11,486)	0
Transfers Out	0	(6,414)	(6,414)	0
Total Other Financing Uses	<u>0</u>	<u>(17,900)</u>	<u>(17,900)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	139,945	545,275	645,661	100,386
<i>Fund Balance (Deficit) Beginning of Year</i>	(367,089)	(367,089)	(367,089)	0
Prior Year Encumbrances Appropriated	<u>111,944</u>	<u>111,944</u>	<u>111,944</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$115,200)</u></u>	<u><u>\$290,130</u></u>	<u><u>\$390,516</u></u>	<u><u>\$100,386</u></u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Net Position*  
*Fiduciary Funds*  
*June 30, 2013*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$14,633	\$44,258
<b>Liabilities</b>		
Due to Students	0	\$44,258
<b>Net Position</b>		
Held in Trust for Scholarships	14,633	
<i>Total Net Position</i>	\$14,633	

See accompanying notes to the basic financial statements



**Union Local School District**  
*Statement of Changes in Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Private Purpose Trust Fund
<b>Additions</b>	
Contributions and Donations	\$12,131
<b>Deductions</b>	
Scholarships Awarded	5,600
<i>Change in Net Position</i>	6,531
<i>Net Position Beginning of Year</i>	8,102
<i>Net Position End of Year</i>	\$14,633

See accompanying notes to the basic financial statements

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**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

The 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 statute and federal guidelines.

The School District was established in 1952 through the consolidation of the Union Township, Smith Township, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, the School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont, Centerville, Bethesda, and Flushing. It is staffed by 57 non-certificated employees, 98 certificated full-time teaching personnel, and 9 administrative employees who provide services to 1,559 students. The School District currently operates two instructional/administrative buildings, one garage and one maintenance building.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District is involved with the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Educational Regional Service System Region 12 (ERSS), the Coalition of Rural and Appalachian Schools (CORAS), and the Belmont-Harrison Vocational School District, which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) which is defined as an insurance purchasing pool, and the Stark County Schools' Council of Governments Health Benefits Program (Council), which is defined as a shared risk insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the financial statements.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

The financial statements of the Union Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's general purpose financial statements consist of government-wide statements, including a Statement of Net Position 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 Position 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. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the 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 year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**General Fund** - The General Fund is the operating fund of the School District and 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.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose 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 therefore not available to support the School District's own programs. The School District has a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, no deferred outflows of resources are reported.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**E. Cash and Cash Equivalents**

To improve cash management, all 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.”

During fiscal year 2013, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$4,580, which includes \$4,509 assigned from other School District funds.

Investments of the 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.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent cash restricted for insurance premiums related to the underground storage tank, and amounts withheld on construction contracts until the successful completion of the contract.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

**I. Capital Assets**

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land and Land Improvements	N/A
Land Improvements	20 Years
Buildings and Improvements	5 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-20 Years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.



**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**M. Bond Premiums, Bond Discounts, and Bond Issuance Costs**

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Bond issuance costs are expensed in in the funds in the period the bonds are issued.

**N. Internal Activity**

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**O. 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 fund balance category 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 is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those 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. In contrast to fund balance that is restricted by

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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. The amount committed to Capital Projects in the other governmental funds represents gas and oil lease bonus revenue approved by the Board of Education to be used for capital projects.

**Assigned:** Amounts in the assigned fund balance 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 School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

**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 applies restricted resources first when expenditures are 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 could be used.

**P. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**S. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

**NOTE 3 – RESTATEMENTS**

For fiscal year 2013, the School District has presented financial statements in accordance with Generally Accepted Accounting Principles for the first time since fiscal year 2009. The following reflects the adjustments made to restate beginning year fund balance/net position.

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	General	Debt Service	Special Reserve Capital Improvement	Governmental Nonmajor	Total Governmental
Fund Balances, June 30, 2012	(\$255,145)	\$695,728	\$326,358	\$314,642	\$1,081,583
Equity in Cash and Cash Equivalents	266,145	0	(280,909)	14,764	0
Accounts Receivable	3,342	0	0	0	3,342
Interfund Receivable	0		280,909	0	280,909
Intergovernmental Receivable	157,694	0	0	67,653	225,347
Property Taxes Receivable	3,268,364	343,707	0	57,592	3,669,663
Materials and Supplies Inventory	7,883	0	0	7,604	15,487
Accounts Payable	(27,650)	0	(7,115)	(39,482)	(74,247)
Accrued Wages and Benefits Payable	(1,129,296)	0	0	(119,683)	(1,248,979)
Interfund Payable	(266,145)	0	0	(14,764)	(280,909)
Intergovernmental Payable	(318,952)	0	0	(25,291)	(344,243)
Matured Severance Payable	(109,105)	0	0		(109,105)
Retainage Payable	0	0	0	(62,373)	(62,373)
Deferred Inflows of Resources:					
Property Taxes	(2,632,628)	(275,541)	0	(45,736)	(2,953,905)
Unavailable Revenue	(465,808)	(33,252)	0	(73,603)	(572,663)
Previously Reported Major Fund	0	0	(319,243)	319,243	0
Restated Fund					
Balance, June 30, 2012	<u>(\$1,501,301)</u>	<u>\$730,642</u>	<u>\$0</u>	<u>\$400,566</u>	<u>(\$370,093)</u>
Net Position Adjustments:					
Capital Assets					13,418,729
Accrued Interest Payable					(4,617)
Long-Term Liabilities					(2,317,363)
Compensated Absences					(534,235)
Unavailable Revenue					<u>572,663</u>
Governmental Activities					
Net Position, June 30, 2012					<u>\$10,765,084</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non GAAP Basis) - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Inception of Capital Lease is a non-cash transaction which is reported on the GAAP operating statement, and not on the budgetary basis statements.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General
GAAP Basis	\$892,946
Revenue Accruals	(70,831)
Inception of Capital Lease	(60,591)
Expenditure Accruals	119,214
Advances Out	(11,486)
Encumbrances	(223,591)
Budget Basis	\$645,661

**NOTE 5 – FUND DEFICIT**

At June 30, 2013, the following fund had deficit fund balances:

	Deficit Fund Balance
General Fund	\$608,355

The deficit in the General Fund was the result of the application of generally accepted accounting principles. The School District will monitor future spending.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 6 – 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 that the Board 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.

Interim monies held by the School District can 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;
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);
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. Investments may only be made through specified dealers and institutions.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the bank balance was \$2,004,496. Of the bank balance \$250,000 was covered by Federal depository insurance and the remaining balance of \$1,754,496 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**NOTE 7 - 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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur 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 revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont and Harrison Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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*Notes to the Basic Financial Statements*  
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The amount available as an advance at June 30, 2013 was \$365,432 in the General Fund, \$39,621 in the Debt Service Fund, and \$5,902 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2012 was \$323,703 in the General Fund, \$34,914 in the Debt Service Fund, and \$5,906 in the Classroom Facilities Maintenance Special Revenue Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$133,896,980	94.00%	\$151,215,140	94.39%
Public Utility Personal	8,550,290	6.00%	8,984,980	5.61%
	\$142,447,270	100.00%	\$160,200,120	100.00%
Tax Rate per \$1,000 of assessed valuation	\$29.80		\$29.80	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, tuition and fees, interfund, intergovernmental grants and rebates. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$299,393 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<b>Amounts</b>
Workers Compensation Rebate	\$24,869
Miscellaneous Grants	4,728
Medicaid Reimbursement	3,755
Title I Grant	110,181
IDEA B Grant	37,212
Title VI-B Grant	12,642
Early Childhood Education Grant	1,200
21st Century Grant	23,052
School Lunch Enhancement Grant	2,305
Excess Costs from Other School Districts	153,775
Total Intergovernmental Receivable	\$373,719



**Union Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 – INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2013 consisted of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u> <u>General Fund</u>
<u>Interfund Payable</u>	
Other Non-Major Governmental	<u><u>\$12,601</u></u>

The loans made to the Title I and the Miscellaneous Federal Grants Special Revenue Funds were made to support the programs until grant monies are received to operate the programs.

**B. Transfers**

Interfund transfers for the year ended June 30, 2013 consisted of the following:

	<u>Transfer to</u>
	<u>Other Non-Major</u> <u>Governmental</u>
<u>Transfer from</u>	
General Fund	<u><u>\$6,414</u></u>

Transfers from the General Fund were used to provide revenue to the Miscellaneous Federal Grants Special Revenue Fund to cover operating costs.

**Union Local School District**  
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**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
<b>Nondepreciable Capital Assets:</b>				
Land and Land Improvements	\$1,842,760	\$0	\$0	\$1,842,760
Construction in Progress	0	9,757	0	9,757
<b>Total Nondepreciable Capital Assets</b>	<b>1,842,760</b>	<b>9,757</b>	<b>0</b>	<b>1,852,517</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	0	141,341	0	141,341
Buildings and Improvements	20,334,615	45,346	0	20,379,961
Furniture and Equipment	206,966	0	0	206,966
Vehicles	1,268,547	0	0	1,268,547
<b>Total Depreciable Capital Assets</b>	<b>21,810,128</b>	<b>186,687</b>	<b>0</b>	<b>21,996,815</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	0	(5,496)	0	(5,496)
Buildings and Improvements	(9,193,760)	(620,494)	0	(9,814,254)
Furniture and Equipment	(106,780)	(23,300)	0	(130,080)
Vehicles	(933,619)	(29,935)	0	(963,554)
<b>Total Accumulated Depreciation</b>	<b>(10,234,159)</b>	<b>(679,225)</b>	<b>0</b>	<b>(10,913,384)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>11,575,969</b>	<b>(492,538)</b>	<b>0</b>	<b>11,083,431</b>
<b>Governmental Capital Assets, Net</b>	<b>\$13,418,729</b>	<b>(\$482,781)</b>	<b>\$0</b>	<b>\$12,935,948</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$418,988
Special	72,999
Vocational	20,468
<b>Support Services:</b>	
Pupil	9,125
Instructional Staff	18,250
Administration	18,637
Fiscal	9,125
Operation of Maintenance and Plant	10,051
Pupil Transportation	35,916
Extracurricular	23,746
Food Service Operations	41,920
<b>Total Depreciation Expense</b>	<b>\$679,225</b>

**Union Local School District**  
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**NOTE11 - RISK MANAGEMENT**

**A. Property, Fleet and Liability Insurance**

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. The School District contracts with Ohio Casualty Insurance for general liability, errors and omissions, property, and fleet insurance.

The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$3,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$1,000 deductible with total coverage of \$43,522,229. The fleet coverage has limits of liability of \$1,000,000 for each accident with a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Employee Benefits**

The School District has contracted with the Stark County Schools' Council of Government Health Benefits Program (Council) to provide employee medical/surgical and dental, and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 74 member school districts, educational service centers and related agencies, see Note 18 for further information about the Council. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims. Premiums for this coverage are \$623.00 for individual coverage per month and \$1,513.40 for family coverage per month employees contributing \$62.30 a month for single coverage and \$151.34 month for family coverage, with the Board paying the balance of the premium. The premium is paid from the fund that pays the salary of the covered employee. Dental premiums are \$79.10 for individual coverage per month and \$195.16 for family coverage per month employees contributing \$7.91 a month for single coverage and \$19.52 month for family coverage, with the Board paying the balance of the premium. Premiums for the vision coverage are \$16.68 for individual coverage per month and \$41.44 for family coverage per month employees contributing \$1.67 a month for single coverage and \$4.14 month for family coverage.

**C. Workers' Compensation**

For fiscal year 2013 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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 school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocated 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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$172,208, \$188,171, and \$187,564 respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

**B. 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or 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 DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan 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 State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$759,821 and \$11,138 for the fiscal year ended June 30, 2013, \$771,669 and \$7,795 for the fiscal year ended June 30, 2012, and \$835,141 and \$8,436 for the fiscal year ended June 30, 2011. For fiscal year 2013, 70.28 percent has been contributed for the DB plan and 70.28 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$14,821 made by the School District and \$10,586 made by the plan members. In addition, member contributions of \$7,956 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employee 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 for non-certificated 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each 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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$22,298 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 contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,103, \$8,149, and \$22,711 respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$9,728, \$11,112, and \$12,070 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and, and 2011.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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 to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307, 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 post-employment health care may be deducted from employer contributions. For fiscal years 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$58,448, \$59,959 and \$64,891 respectively. For fiscal year 2013, 70.28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**NOTE 14 - 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 five to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers,

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for all certified employees and 280 days for all classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 72 days for certificated employees provided such certificated staff member has been continuously employed by the School District for nine years and 70 days for classified employees provided such classified employee has been continuously employed by the School District for seven years.

**B. Other Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all eligible employees through Consumers Life Insurance Company in the amount of \$40,000 per employee.

**NOTE 15 – CAPITAL LEASES – LESSEE DISCLOSURE**

During fiscal year 2009, the School District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor. During fiscal year 2013, the School District also entered into a capital lease for copiers.

The assets acquired by the leases have been capitalized in government wide statements governmental activities as land, buildings and improvements, and furniture, fixtures and equipment in the amount of \$660,591, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities assets are reflected net of accumulated depreciation, \$545,443. Principal payments in fiscal year 2013 totaled \$68,351 in the governmental funds.

Future minimum lease payments through 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$70,397	\$17,438
2015	73,200	14,413
2016	76,060	12,127
2017	76,583	8,165
2018	67,000	5,524
2019	70,000	2,636
	<u>\$433,240</u>	<u>\$60,303</u>

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Outstanding 6/30/2012	Additions	Reductions	Outstanding 6/30/2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
1997 School Improvement Bonds					
Serial Bonds \$3,535,000 @ 4.1% - 6.2%	\$205,000	\$0	\$205,000	\$0	\$0
2007 School Improvement Refunding Bonds					
Serial/Term Bonds \$1,365,000 @ 3.75% - 4.0%	1,180,000	0	35,000	1,145,000	265,000
Capital Appreciation Bonds \$264,996 @ 4.3% - 4.35%	264,996	0	0	264,996	0
Accretion of Interest \$385,005 @ 8.284%	139,297	32,278	0	171,575	0
Premium \$152,903	87,070	0	12,742	74,328	0
Total 2007 School Improvement Refunding Bonds	<u>1,671,363</u>	<u>32,278</u>	<u>47,742</u>	<u>1,655,899</u>	<u>265,000</u>
Total General Obligation Bonds	<u>1,876,363</u>	<u>32,278</u>	<u>252,742</u>	<u>1,655,899</u>	<u>265,000</u>
Capital Leases	441,000	60,591	68,351	433,240	70,397
Compensated Absences	534,235	123,506	120,536	537,205	87,932
Total Long-Term Liabilities	<u>\$2,851,598</u>	<u>\$216,375</u>	<u>\$441,629</u>	<u>\$2,626,344</u>	<u>\$423,329</u>

*1997 School Improvement Bonds* - On April 1, 1997, the School District issued \$3,535,000 in general obligation bonds, which represented the local share for the School District's construction of a new high school, new elementary school, and for the middle school renovations. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2018. During fiscal year 2007, the School District refunded \$1,629,995 of the serial bonds. The refunding resulted in an in-substance defeasance, and the refunded portion of the bonds were removed from the financial statements of the School District. The remaining outstanding serial bonds were retired from the debt service fund, with the proceeds of a 4.5 mill bond levy. As of June 30, 2013, the School District has fully retired the 1997 School Improvement Bonds.

*2007 School Improvement Refunding Bonds* - On May 8, 2007, the School District issued \$1,629,995 general obligation bonds, which included capital appreciation bonds in the amount of \$264,996. The bonds refunded \$1,629,995 of outstanding 1997 School Improvement Bonds. The serial bonds were issued at a 4.0 percent interest rate, for a period of nine years, with a final maturity of December 1, 2016. The term bonds were issued at a 3.75 percent interest rate, for a five year period, with a final maturity at December 1, 2012. At the date of refunding, \$1,720,030 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1997 School Improvement General Obligation Serial Bonds. The refunded bonds were called and fully repaid by December 1, 2007, through the escrow account.

These refunding bonds were issued with a premium of \$152,903. The fiscal year 2013 amortization of the premium was \$12,742.

The term bonds that matured on December 1, 2012 were subject to mandatory sinking fund redemption at 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:



**Union Local School District**  
*Notes to the Basic Financial Statements*  
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Redemption Date (December 1)	Principal Amount to be Redeemed
2008	\$30,000
2009	30,000
2010	35,000
2011	35,000

The remaining \$35,000 principal amount of bonds due December 1, 2012 was paid.

The capital appreciation bonds were sold at an original price of \$264,996, with maturity dates of December 1, 2017 and 2018. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$650,000. The accretion recorded for fiscal year 2013 is \$32,278 for a total bond liability of \$436,571. The accretion will continue to be recorded over the life of the bonds.

As part of the refunding bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the Department of Education will make the sufficient payment.

Principal and interest requirements to retire general obligation bonds for the 2007 Refunding Bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest / Accretion
2014	\$265,000	\$40,500	\$0	\$0	\$265,000	\$40,500
2015	275,000	29,700	0	0	275,000	29,700
2016	290,000	18,400	0	0	290,000	18,400
2017	315,000	6,300	0	0	315,000	6,300
2018	0	0	137,872	187,129	137,872	187,129
2019	0	0	127,124	197,876	127,124	197,876
	\$1,145,000	\$94,900	\$264,996	\$385,005	\$1,409,996	\$479,905

The overall debt margin of the School District as of June 30, 2013 was \$13,857,492 with an unvoted debt margin of \$160,129.

Capital leases and compensated absences will be paid from the General Fund

*Bond Insurance* - On January 17, 2013, Assured Guaranty Corp, the bond insurer for the 2007 School Improvement Refunding Bonds, was downgraded by Moody's Investor Services from Aa3 to A2. See Subsequent Event Note 21 for further details. This downgrade came after Moody's had previously downgraded Financial Security Assurance, Inc. (FSA), the original bond insurer for this bond issue, which was acquired by Assured Guaranty Corp. on July 1, 2009, from Aaa to Aa3. On March 26, 2012, a credit

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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opinion was issued by Moody's Investor Services, for Assured Guaranty Corp., at Aa3, which, at the time, represented no change from the previous actions.

The downgrade of a bond insurer may not, in and by itself, create an immediate default under the bond indentures or other bond documents or cause any reallocation of rights or responsibilities among parties; however, it will likely have an adverse effect on the value of the bonds as they are traded in the secondary market.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2013, the total amount paid to OME-RESA from the School District was \$490 for cooperative gas purchasing services and \$46,733 for technology services, financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Educational Regional Service System Region 12 (ERSS)* - The School District participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The Advisory Council exercised total control over the operations of the System including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2013.

*Belmont-Harrison Vocational School District* - The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Place, St. Clairsville, Ohio 43950.

**NOTE 18 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)* – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), 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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of \$1,545 for policy year 2013 was paid to CompManagement, Inc.

**B. Shared Risk Insurance Purchasing Pool**

*The Stark County Schools' Council of Government Health Benefits Program (Council)* – The Stark County Schools' Council of Governments (Council) Health Benefits program is a shared risk pool created pursuant to State Statute for the purposes of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

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

The following cash basis information describes the change in the year-end set-aside amounts for capital improvements and budget stabilization. Disclosure of this information is required by State statute.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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	Capital Improvements
Set-aside Restricted Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	250,518
Current Year Offsets	(97,608)
Current Year Qualifying Expenditures	(173,468)
Totals	(\$20,558)
Balance Carried Forward to Fiscal Year 2014	\$0
Set-aside Restricted Balance as of June 30, 2013	\$0

The School District had offsets and qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years.

**NOTE 20 – CONTINGENCIES**

**A. Grants**

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 are 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

**B. Litigation**

The School District is currently party to legal proceedings. The School District management is of the opinion that the disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**C. Paid Up Oil and Gas Leases**

*XTO Energy, Inc.* - The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with XTO Energy, Inc. The lease is for 105 acres of property owned by the Union Local Board of Education, and is effective September 26, 2011, for a five year period. In consideration of the execution of the lease, the School District received a signing bonus in the amount of \$501,039 in a prior fiscal year. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 19 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

*Rice Drilling D, LLC*, - The Board of Education has entered into a “Paid-Up” Oil and Gas Lease with Rice Drilling D, LLC. See Subsequent Event Note 21 for further details.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 21 – SUBSEQUENT EVENTS**

**A. Income Tax Levy**

On November 5, 2013, the Board of Education passed a resolution to place a one-half percent, five year income tax levy for the purpose of permanent improvements on the May 6, 2014 ballot. This levy, if passed, is expected to generate \$750,000 annually.

**B. Oil and Gas Lease Agreement**

On April 30, 2013, the Board of Education entered into a second “Paid Up” Oil and Gas Lease. The lease is for 35.932 acres of property that the Union Local Board of Education owns a 50 percent share of the mineral rights in, and is effective for a five year period, from the date of the agreement, with Rice Drilling D, LLC. In consideration of the execution of the second lease, the School District is to receive a signing bonus in the amount of \$112,288. As of the date of the Financial Statements, the bonus money has not yet been received by the School District. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

**C. Labor Agreements**

The Ohio Association of Public Employees labor agreement expired on July 1, 2013, and the Union Local Teachers’ Association negotiated agreement expired on September 1, 2013. The Ohio Association of Public Employees and the Board of Education approved a new agreement on November 21, 2013. The Union Local Teachers’ Association and the Board of Education approved a new agreement on November 5, 2013.

**D. Bond Insurance Rating**

*Bond Insurance 2005 School Construction and Improvement General Obligation Bonds* – On November 18, 2013, Moody’s Investor Services issued a Credit Opinion of A3 for Assured Guaranty Corp.

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UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ <i>Pass-Through Grantor</i> Program Title	Pass-Through Program Fiscal Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	2013	10.555	\$7,229	\$7,229
Cash Assistance:				
School Breakfast Program	2013	10.553	94,683	94,683
National School Lunch Program	2013	10.555	185,084	185,084
After School Snack Program	2013	10.555	986	986
Cash Assistance Subtotal			<u>280,753</u>	<u>280,753</u>
Total Child Nutrition Cluster			<u>287,982</u>	<u>287,982</u>
Total U.S. Department of Agriculture			287,982	287,982
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A:				
Title I Grants to Local Educational Agencies	2012	84.010	32,563	36,860
	2013	84.010	234,974	234,974
Title I Grants to Local Educational Agencies, School Improvement	2012	84.010	3,038	2,679
	2013	84.010	2,625	2,750
Title I Program for Neglected and Delinquent Children	2013	84.010	35,526	35,526
Total Title I, Part A			<u>308,726</u>	<u>312,789</u>
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	2012	84.027	3,918	7,867
	2013	84.027	255,364	255,451
Special Education, Grants to States (IDEA, Part B) Subtotal			<u>259,282</u>	<u>263,318</u>
Special Education - Preschool Grants (IDEA Preschool)	2013	84.173	8,530	8,834
Total Special Education Cluster (IDEA)			<u>267,812</u>	<u>272,152</u>
Twenty-First Century Community Learning Centers	2012	84.287	-	4,743
	2013	84.287	183,101	183,052
Twenty-First Century Community Learning Centers - Success Program	2013	84.287	193,847	195,117
Total Twenty-First Century Community Learning Centers			<u>376,948</u>	<u>382,912</u>
Education Technology State Grants	2012	84.318	2,212	2,212
Improving Teacher Quality State Grants	2013	84.367	85,535	85,535
Rural Education	2013	84.358	16,369	16,369
Education Jobs Grant	2012	84.410	1,832	17
Total U.S. Department of Education			<u>1,059,434</u>	<u>1,071,986</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,347,416</u></b>	<b><u>\$1,359,968</u></b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.*

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the fair value. The School 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Union Local School District  
Belmont County  
66779 Belmont-Morristown Road  
Belmont, Ohio 43718

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 10, 2014. We also noted the School District presented the financial statements in accordance with Generally Accepted Accounting Principles for the first time since fiscal year 2009.

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

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School 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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 10, 2014



# Dave Yost • Auditor of State

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

Union Local School District  
Belmont County  
66779 Belmont-Morristown Road  
Belmont, Ohio 43718

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Union Local School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Union Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in Finding 2013-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding allowable costs/cost principles applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies for the year ended June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2013.

***Report on Internal Control over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2013-001 to be a material weakness.

Union Local School District  
Belmont County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
Over Compliance Required by OMB Circular A-133  
Page 3

The School District's response to our internal control over compliance finding is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

Columbus, Ohio

March 10, 2014

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**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified for all major programs, except for the Allowable costs/cost principles provision requirements applicable to Title I Grants to Local Educational Agencies, which we qualified.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA #84.010  Twenty-First Century Community Learning Centers, CFDA #84.287  Special Education Cluster (IDEA), CFDA #84.027 and # 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2013-001
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies, CFDA #84.010
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Allowable Costs/Cost Principles**

2 C.F.R. Part 225, Appendix B 8h(3)(4) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a.) More than one Federal award,
- b.) A Federal award and a non-Federal award,
- c.) An indirect cost activity and a direct cost activity,
- d.) Two or more indirect activities which are allocated using different allocation bases, or
- e.) An unallowable activity and a direct or indirect cost activity.

These requirements are applicable to both federal and state grants administered from Ohio Department of Education resources.

During fiscal year 2013, the School District did not have the semi-annual certification on file to support the wages paid from the Title I (Delinquent) Fund for one employee whom was paid from a federal award and a non-federal award.

We recommend the Treasurer ensure all employees being paid from federal funds complete semi-annual certification forms.

**Officials’ Response and Corrective Action Plan:** This issue has occurred due to the Treasurer charging one employee’s salary to the general fund for the year and then making an adjustment at the end of the year to charge the correct federal award or cost objective. Because of this, the Treasurer did not get a semi-annual certification completed for one employee. The Corrective Action Plan is to have the Treasurer review the employees who work for federal programs and verify that their salary is being charged to the correct federal program and to complete a semi-annual certification for each employee whose salary is solely being charged to a single federal award or cost objective.

Responsible contact person – Janet Hissrich, Treasurer; Anticipated completion date – June 30, 2014.



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2013**

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>
2012-001	Ohio Rev. Code Section 117.38 requires filing a financial report with the Auditor of State within 150 days and Ohio Administrative Code Section 117-2-03(B) requires the School District to file the report pursuant to generally accepted accounting principles. The School District did not file their financial report within 150 days and did not file the report pursuant to generally accepted accounting principles.	Yes	n/a
2012-002	Ohio Rev. Code Section 5705.10(H) requires that money paid into a fund must be used only for the purposes for which such fund has been established. The School District had several funds with negative fund balances.	Yes	n/a
2012-003	Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure of money unless it has been properly appropriated. The School District had expenditures that exceeded appropriations at the legal level of control.	Yes	n/a
2012-004	Noncompliance and Material Weakness- 34 CFR 80.21(c): Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. Special Education Cluster and Title I, Part A Cluster Grant funds were not spent within the period of time for which cash was requested.	Yes	n/a

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# Dave Yost • Auditor of State

## Independent Auditor's Report on Applying Agreed-Upon Procedure

Union Local School District  
Belmont County  
66779 Belmont-Morristown Road  
Belmont, Ohio 43718

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Union Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 20, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 10, 2014

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# Dave Yost • Auditor of State

**UNION LOCAL SCHOOL DISTRICT**

**BELMONT 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 25, 2014**