



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 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 District's internal control. Accordingly, we express no such 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.

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Efficient • Effective • Transparent

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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, and 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 January 13, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

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Keith Faber  
Auditor of State  
Columbus, Ohio

January 13, 2022

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2021

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                             |                                    |
| Equity in pooled cash and cash equivalents | \$ 15,965,505                      |
| Total assets                               | <u>\$ 15,965,505</u>               |
| <b>Net position:</b>                       |                                    |
| Restricted for:                            |                                    |
| Capital projects                           | \$ 1,057,159                       |
| Classroom facilities maintenance           | 611,072                            |
| Debt service                               | 470,909                            |
| State funded programs                      | 776,796                            |
| Federally funded programs                  | 57,732                             |
| Food service operations                    | 26,137                             |
| Student activities                         | 182,260                            |
| Other purposes                             | 202,814                            |
| Unrestricted                               | <u>12,580,626</u>                  |
| Total net position                         | <u>\$ 15,965,505</u>               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   | Cash<br>Disbursements | Program Cash Receipts             |  |                                     | Net (Disbursements)<br>Receipts and Change<br>in Net Position<br>Governmental<br>Activities |
|---|-----------------------|-----------------------------------|--|-------------------------------------|---|
|   |                       | Charges for<br>Services and Sales | Operating Grants<br>and Contributions                          | Capital Grants<br>and Contributions |   |
| <b>Governmental activities:</b>             |                       |                                   |  |                                     |   |
| Instruction:                                |                       |                                   |  |                                     |   |
| Regular                                     | \$ 6,939,813          | \$ 1,384,894                      | \$ 213,932   | \$ -                                | \$ (5,340,987)  |
| Special                                     | 2,660,473             | 228,460                           | 959,402  | -                                   | (1,472,611)   |
| Vocational                                  | 933,047               | -                                 | 162,441  | -                                   | (770,606)   |
| Other                                       | 53,344                | -                                 | -  | -                                   | (53,344)  |
| Support services:                           |                       |                                   |  |                                     |   |
| Pupil                                       | 1,640,252             | -                                 | 673,307  | -                                   | (966,945)   |
| Instructional staff                         | 897,555               | -                                 | 188,137  | -                                   | (709,418)   |
| Board of education                          | 30,705                | -                                 | -  | -                                   | (30,705)  |
| Administration                              | 1,520,736             | -                                 | 20,152   | -                                   | (1,500,584)   |
| Fiscal                                      | 493,752               | 89,423                            | 4,776  | -                                   | (399,553)   |
| Operations and maintenance                  | 2,450,965             | -                                 | 266,357  | 113,369                             | (2,071,239)   |
| Pupil transportation                        | 995,079               | -                                 | 28,078   | 39,708                              | (927,293)   |
| Central                                     | 4,787                 | -                                 | -  | -                                   | (4,787)   |
| Operation of non-instructional<br>services: |                       |                                   |  |                                     |   |
| Food service operations                     | 695,242               | 17,223                            | 582,760  | -                                   | (95,259)  |
| Other non-instructional services            | 19,833                | -                                 | 19,833   | -                                   | -   |
| Extracurricular activities                  | 477,222               | 117,829                           | 31,641   | 8,631                               | (319,121)   |
| Facilities acquisition and construction     | 146,415               | -                                 | -  | -                                   | (146,415)   |
| Debt service:                               |                       |                                   |  |                                     |   |
| Principal retirement                        | 564,000               | -                                 | -  | -                                   | (564,000)   |
| Interest and fiscal charges                 | 155,440               | -                                 | -  | -                                   | (155,440)   |
| <b>Total governmental activities</b>        | <u>\$ 20,678,660</u>  | <u>\$ 1,837,829</u>               | <u>\$ 3,150,816</u>  | <u>\$ 161,708</u>                   | <u>(15,528,307)</u>   |
|   |                       |                                   | <b>General receipts:</b>                                       |                                     |   |
|   |                       |                                   | Property taxes levied for:                                     |                                     |   |
|   |                       |                                   | General purposes   |                                     | 5,454,467   |
|   |                       |                                   | Debt service   |                                     | 480,078   |
|   |                       |                                   | Capital outlay   |                                     | 235,341   |
|   |                       |                                   | Classroom facilities maintenance                               |                                     | 69,510  |
|   |                       |                                   | Income taxes levied for:                                       |                                     |   |
|   |                       |                                   | General purposes   |                                     | 2,131,999   |
|   |                       |                                   | Grants and entitlements not restricted<br>to specific programs |                                     | 8,054,721   |
|   |                       |                                   | Investment earnings  |                                     | 98,715  |
|   |                       |                                   | Miscellaneous  |                                     | 202,041   |
|   |                       |                                   | <b>Total general receipts</b>                                  |                                     | <u>16,726,872</u>   |
|   |                       |                                   | Change in net position   |                                     | 1,198,565   |
|   |                       |                                   | <b>Net position at beginning of year</b>                       |                                     | <u>14,766,940</u>   |
|   |                       |                                   | <b>Net position at end of year</b>                             |                                     | <u>\$ 15,965,505</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

|   | <b>General</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------|--|---|
| <b>Assets:</b>                                |                |  |   |
| Equity in pooled cash<br>and cash equivalents | \$ 12,580,626  | \$ 3,384,879                               | \$ 15,965,505                           |
| Total assets                                  | \$ 12,580,626  | \$ 3,384,879                               | \$ 15,965,505                           |
| <b>Fund balances:</b>                         |                |  |   |
| Nonspendable:                                 |                |  |   |
| Scholarships                                  | \$ -           | \$ 50,000                                  | \$ 50,000                               |
| Restricted:                                   |                |  |   |
| Debt service                                  | -              | 470,909                                    | 470,909                                 |
| Capital improvements                          | -              | 1,057,159                                  | 1,057,159                               |
| Classroom facilities maintenance              | -              | 611,072                                    | 611,072                                 |
| Food service operations                       | -              | 26,137                                     | 26,137                                  |
| State funded programs                         | -              | 776,796                                    | 776,796                                 |
| Federally funded programs                     | -              | 57,732                                     | 57,732                                  |
| Scholarships                                  | -              | 152,814                                    | 152,814                                 |
| Extracurricular activities                    | -              | 182,260                                    | 182,260                                 |
| Assigned:                                     |                |  |   |
| Student instruction                           | 348,950        | -  | 348,950                                 |
| Student and staff support                     | 611,314        | -  | 611,314                                 |
| Extracurricular activities                    | 110,629        | -  | 110,629                                 |
| Subsequent year's appropriations              | 4,605,696      | -  | 4,605,696                               |
| Unassigned                                    | 6,904,037      | -  | 6,904,037                               |
| Total fund balances                           | \$ 12,580,626  | \$ 3,384,879                               | \$ 15,965,505                           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   | <u>General</u>       | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|--|---|
| <b>Receipts:</b>                          |                      |  |   |
| Property taxes                            | \$ 5,454,467         | \$ 784,929                                 | \$ 6,239,396                            |
| Income taxes                              | 2,131,999            | -  | 2,131,999                               |
| Intergovernmental                         | 8,869,532            | 2,318,818                                  | 11,188,350                              |
| Investment earnings                       | 98,715               | 2,044                                      | 100,759                                 |
| Tuition and fees                          | 1,590,050            | -  | 1,590,050                               |
| Extracurricular                           | 20,452               | 117,829                                    | 138,281                                 |
| Charges for services                      | 89,423               | 17,223                                     | 106,646                                 |
| Contributions and donations               | 2,852                | 171,364                                    | 174,216                                 |
| Miscellaneous                             | 201,241              | 6,287                                      | 207,528                                 |
| Total receipts                            | <u>18,458,731</u>    | <u>3,418,494</u>                           | <u>21,877,225</u>                       |
| <b>Disbursements:</b>                     |                      |  |   |
| Current:                                  |                      |  |   |
| Instruction:                              |                      |  |   |
| Regular                                   | 6,776,149            | 163,664                                    | 6,939,813                               |
| Special                                   | 2,426,272            | 234,201                                    | 2,660,473                               |
| Vocational                                | 932,267              | 780  | 933,047                                 |
| Other                                     | 53,344               | -  | 53,344                                  |
| Support services:                         |                      |  |   |
| Pupil                                     | 1,309,935            | 330,317                                    | 1,640,252                               |
| Instructional staff                       | 776,061              | 121,494                                    | 897,555                                 |
| Board of education                        | 30,705               | -  | 30,705                                  |
| Administration                            | 1,504,411            | 16,325                                     | 1,520,736                               |
| Fiscal                                    | 480,853              | 12,899                                     | 493,752                                 |
| Operations and maintenance                | 1,830,041            | 620,924                                    | 2,450,965                               |
| Pupil transportation                      | 955,371              | 39,708                                     | 995,079                                 |
| Central                                   | 4,787                | -  | 4,787                                   |
| Operation of non-instructional services:  |                      |  |   |
| Food service operations                   | -                    | 695,242                                    | 695,242                                 |
| Other non-instructional services          | -                    | 19,833                                     | 19,833                                  |
| Extracurricular activities                | 332,350              | 144,872                                    | 477,222                                 |
| Facilities acquisition and construction   | 123,400              | 23,015                                     | 146,415                                 |
| Debt service:                             |                      |  |   |
| Principal retirement                      | -                    | 564,000                                    | 564,000                                 |
| Interest and fiscal charges               | -                    | 155,440                                    | 155,440                                 |
| Total disbursements                       | <u>17,535,946</u>    | <u>3,142,714</u>                           | <u>20,678,660</u>                       |
| Excess or receipts over disbursements     | <u>922,785</u>       | <u>275,780</u>                             | <u>1,198,565</u>                        |
| <b>Other financing sources (uses):</b>    |                      |  |   |
| Transfers in                              | -                    | 116,000                                    | 116,000                                 |
| Transfers (out)                           | <u>(116,000)</u>     | <u>-</u>                                   | <u>(116,000)</u>                        |
| Total other financing sources (uses)      | <u>(116,000)</u>     | <u>116,000</u>                             | <u>-</u>                                |
| Net change in fund balances               | 806,785              | 391,780                                    | 1,198,565                               |
| <b>Fund balances at beginning of year</b> | <u>11,773,841</u>    | <u>2,993,099</u>                           | <u>14,766,940</u>                       |
| <b>Fund balances at end of year</b>       | <u>\$ 12,580,626</u> | <u>\$ 3,384,879</u>                        | <u>\$ 15,965,505</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   | <u>Budgeted Amounts</u> |                      | <u>Actual</u>        | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|----------------------|----------------------|---|
|   | <u>Original</u>         | <u>Final</u>         |                      |   |
| <b>Receipts:</b>                            |                         |                      |                      |   |
| Property taxes                              | \$ 4,371,103            | \$ 5,454,467         | \$ 5,454,467         | \$ -  |
| Income taxes                                | 1,881,939               | 2,131,999            | 2,131,999            | -   |
| Intergovernmental                           | 7,592,345               | 8,869,322            | 8,869,532            | 210   |
| Investment earnings                         | 50,833                  | 94,491               | 98,715               | 4,224   |
| Tuition and fees                            | 1,299,657               | 1,574,974            | 1,590,050            | 15,076  |
| Charges for services                        | -                       | -                    | 89,423               | 89,423  |
| Miscellaneous                               | 11,263                  | 201,128              | 201,241              | 113   |
| Total receipts                              | <u>15,207,140</u>       | <u>18,326,381</u>    | <u>18,435,427</u>    | <u>109,046</u>  |
| <b>Disbursements:</b>                       |                         |                      |                      |   |
| Current:                                    |                         |                      |                      |   |
| Instruction:                                |                         |                      |                      |   |
| Regular                                     | 7,511,279               | 7,027,039            | 7,025,366            | 1,673   |
| Special                                     | 2,492,499               | 2,520,559            | 2,518,059            | 2,500   |
| Vocational                                  | 1,156,540               | 1,021,494            | 1,012,214            | 9,280   |
| Other                                       | 7,915                   | 53,344               | 53,344               | -   |
| Support services:                           |                         |                      |                      |   |
| Pupil                                       | 1,366,850               | 1,341,918            | 1,336,939            | 4,979   |
| Instructional staff                         | 922,628                 | 815,323              | 809,548              | 5,775   |
| Board of education                          | 44,864                  | 39,403               | 39,403               | -   |
| Administration                              | 1,552,860               | 1,601,127            | 1,572,730            | 28,397  |
| Fiscal                                      | 447,450                 | 450,865              | 531,246              | (80,381)  |
| Operations and maintenance                  | 2,626,451               | 2,426,688            | 2,213,744            | 212,944   |
| Pupil transportation                        | 1,033,935               | 1,005,980            | 995,081              | 10,899  |
| Central                                     | 4,695                   | 4,787                | 4,787                | -   |
| Extracurricular activities                  | 426,508                 | 333,475              | 333,475              | -   |
| Facilities acquisition and construction     | 414,078                 | 123,400              | 123,400              | -   |
| Total disbursements                         | <u>20,008,552</u>       | <u>18,765,402</u>    | <u>18,569,336</u>    | <u>196,066</u>  |
| Excess of disbursements over receipts       | <u>(4,801,412)</u>      | <u>(439,021)</u>     | <u>(133,909)</u>     | <u>305,112</u>  |
| <b>Other financing sources (uses):</b>      |                         |                      |                      |   |
| Refund of prior year's expenditures         | 176,010                 | 109,023              | 115,445              | 6,422   |
| Transfers (out)                             | (201,020)               | (116,000)            | (116,000)            | -   |
| Sale of capital assets                      | 6,160                   | -                    | -                    | -   |
| Total other financing sources (uses)        | <u>(18,850)</u>         | <u>(6,977)</u>       | <u>(555)</u>         | <u>6,422</u>  |
| Net change in fund balance                  | (4,820,262)             | (445,998)            | (134,464)            | 311,534   |
| <b>Unencumbered fund</b>                    |                         |                      |                      |   |
| <b>balance at beginning of year</b>         | 10,839,399              | 10,839,399           | 10,839,399           | -   |
| <b>Prior year encumbrances appropriated</b> | 804,798                 | 804,798              | 804,798              | -   |
| <b>Unencumbered fund</b>                    |                         |                      |                      |   |
| <b>balance at end of year</b>               | <u>\$ 6,823,935</u>     | <u>\$ 11,198,199</u> | <u>\$ 11,509,733</u> | <u>\$ 311,534</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1963. The District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The District is staffed by 85 classified employees, 108 certified teaching personnel, and 12 administrative employees who provide services to 1,492 students and other community members. The District currently operates an elementary school, a middle school, a high school, an administration building, a bus garage and an athletic field house.

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

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS AND RELATED ORGANIZATION*

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2021, the District paid Meta Solutions \$42,628 for services. Financial information can be obtained from Meta Solutions, 100 Executive Drive, Marion, Ohio 43302.

Tri-Rivers Career Center

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

Richwood North Union Public Library

Richwood North Union Public Library, Union County, is a body politic and corporate established in 1915 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by an appointed seven-member non-compensated Board of Trustees appointed by the Board of Education of the North Union Local School District. The Library is fiscally independent of the Board of Education. Financial information can be obtained from Richwood North Union Public Library, 4 East Ottawa Street, Richwood, Ohio 43344.

*GROUP PURCHASING POOLS*

Ohio School Plan

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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



**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Stark County Schools Council of Governments Health Benefit Plan

The District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 6057 Strip Avenue NW, North Canton, Ohio 44720.

**B. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**C. Fund Accounting**

The 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. The District's major governmental fund is:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets and (c) to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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 custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in trust funds. The District has no fiduciary funds.

**D. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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 - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

*Fund Financial Statements* - During the fiscal year, the District segregates transactions related to certain 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 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.

**E. Budgets**

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2021, investments were limited to negotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District invested in STAR Ohio during fiscal year 2021. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2021 amounted to \$98,715, which includes \$19,651 assigned from other District funds.

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

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

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting.

**H. Compensated Absences**

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

**I. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**J. Net Cash Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes resources restricted for food service operations. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**K. Fund Cash Balance**

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

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

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling 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 District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**L. Interfund Activity**

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 basic financial statements. Interfund activities between governmental funds are eliminated in the statement of activities.

**M. 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 imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District does not have any restricted assets.

**N. 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. Neither type of transaction occurred during fiscal year 2021.

**O. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**P. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**B. Compliance**

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits was \$9,128,570 and the bank balance of all District deposits was \$9,317,417. Of the bank balance, \$9,317,417 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

**D. Investments**

As of June 30, 2021, the District had the following investments and maturities:

| Investment type | Carrying Value      | NAV/<br>Fair Value  | Investment Maturities |                     |                   |                   |                        |
|-----------------|---------------------|---------------------|-----------------------|---------------------|-------------------|-------------------|------------------------|
|                 |                     |                     | 6 months or less      | 7 to 12 months      | 13 to 18 months   | 19 to 24 months   | Greater than 24 months |
| Negotiable CD's | \$ 3,048,000        | \$ 3,094,504        | \$ 388,599            | \$ 1,140,301        | \$ 410,774        | \$ 489,327        | \$ 665,503             |
| STAR Ohio       | 3,788,910           | 3,788,910           | 3,788,910             | -                   | -                 | -                 | -                      |
| Total           | <u>\$ 6,836,910</u> | <u>\$ 6,883,414</u> | <u>\$ 4,177,509</u>   | <u>\$ 1,140,301</u> | <u>\$ 410,774</u> | <u>\$ 489,327</u> | <u>\$ 665,503</u>      |

The weighted average maturity of investments is 0.78 years.

Negotiable CD's are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.



**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

| <u>Investment type</u> | <u>Carrying<br/>Value</u> | <u>% of Total</u> |
|------------------------|---------------------------|-------------------|
| Negotiable CD's        | \$ 3,048,000              | 44.58%            |
| STAR Ohio              | <u>3,788,910</u>          | <u>55.42%</u>     |
| Total                  | <u>\$ 6,836,910</u>       | <u>100.00%</u>    |

**E. Reconciliation of Cash to the Statement of Net Position - Cash Basis**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position - cash basis as of June 30, 2021:

|  |                      |
|--|----------------------|
| <u>Cash per note</u>                                       |                      |
| Carrying amount of deposits                                | \$ 9,128,570         |
| Investments  | 6,836,910            |
| Cash on hand   | <u>25</u>            |
| Total  | <u>\$ 15,965,505</u> |
| <br><u>Cash per statement of net position - cash basis</u> |                      |
| Governmental activities                                    | <u>\$ 15,965,505</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund statements:

|  | <u>Amount</u>     |
|--|-------------------|
| <u>Transfers from general fund to:</u> |                   |
| Nonmajor governmental funds            | <u>\$ 116,000</u> |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - PROPERTY TAXES**

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2021 taxes were collected are:

|   | 2020 Second<br>Half Collections |                | 2021 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 233,832,490                  | 93.93          | \$ 235,415,580                 | 93.64          |
| Public utility personal                           | <u>15,120,210</u>               | <u>6.07</u>    | <u>15,986,110</u>              | <u>6.36</u>    |
| Total   | <u>\$ 248,952,700</u>           | <u>100.00</u>  | <u>\$ 251,401,690</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$32.55                         |                | \$32.25                        |                |

**NOTE 7 - INCOME TAX**

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted for the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

|   |             |
|---|-------------|
| General School District Liability         |             |
| Per Occurrence                            | \$5,000,000 |
| Total per Year                            | 7,000,000   |
| Automobile Liability                      | 5,000,000   |
| Buildings and Contents - replacement cost | 73,604,789  |

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

For fiscal year 2021, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2021, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability/Asset***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                                | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full benefits                | Age 65 with 5 years of services credit; or<br>Any age with 30 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or<br>Age 55 with 25 years of service credit   | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$368,319 for fiscal year 2021.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,088,028 for fiscal year 2021.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

|  | <u>SERS</u>         | <u>STRS</u>        | <u>Total</u>  |
|--|---------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date   | 0.08431930%         | 0.06286925%        |               |
| Proportion of the net pension liability current measurement date | <u>0.07841600%</u>  | <u>0.06338047%</u> |               |
| Change in proportionate share                                    | <u>-0.00590330%</u> | <u>0.00051122%</u> |               |
| Proportionate share of the net pension liability                 | \$ 5,186,599        | \$ 15,335,819      | \$ 20,522,418 |

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

|  |  |
|--|--|
| Wage inflation                               | 3.00%  |
| Future salary increases, including inflation | 3.50% to 18.20%                                      |
| COLA or ad hoc COLA                          | 2.50%  |
| Investment rate of return                    | 7.50% net of investment expense, including inflation |
| Actuarial cost method                        | Entry age normal (level percent of payroll)          |

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 2.00 %               | 1.85 %                                    |
| US Equity              | 22.50                | 5.75                                      |
| International Equity   | 22.50                | 6.50                                      |
| Fixed Income           | 19.00                | 2.85                                      |
| Private Equity         | 12.00                | 7.60                                      |
| Real Assets            | 17.00                | 6.60                                      |
| Multi-Asset Strategies | 5.00                 | 6.65                                      |
| Total                  | <u>100.00 %</u>      |   |

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|--|--------------|--------------------------|--------------|
| District's proportionate share<br>of the net pension liability | \$ 7,105,008 | \$ 5,186,599             | \$ 3,577,018 |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

|                                      | July 1, 2020  |
|--------------------------------------|---|
| Inflation                            | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.



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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return *</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 28.00 %                      | 7.35 %  |
| International Equity | 23.00                        | 7.55  |
| Alternatives         | 17.00                        | 7.09  |
| Fixed Income         | 21.00                        | 3.00  |
| Real Estate          | 10.00                        | 6.00  |
| Liquidity Reserves   | 1.00                         | 2.25  |
| Total                | <u>100.00 %</u>              |   |

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

|  | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| District's proportionate share<br>of the net pension liability | \$ 21,835,536      | \$ 15,335,819                    | \$ 9,827,850       |

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTE 10 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

See Note 9 for a description of the net OPEB liability (asset).

*Plan Description - School Employees Retirement System (SERS)*

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$50,558.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$50,558 for fiscal year 2021.

*Plan Description - State Teachers Retirement System (STRS)*

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

|   | <u>SERS</u>         | <u>STRS</u>        | <u>Total</u>   |
|---|---------------------|--------------------|----------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.08593620%         | 0.06286925%        |                |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.08179650%</u>  | <u>0.06338047%</u> |                |
| Change in proportionate share                                       | <u>-0.00413970%</u> | <u>0.00051122%</u> |                |
| Proportionate share of the net OPEB liability                       | \$ 1,777,706        | \$ -               | \$ 1,777,706   |
| Proportionate share of the net OPEB asset                           | \$ -                | \$ (1,113,911)     | \$ (1,113,911) |

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020 are presented below:

|  |   |
|--|---|
| Wage inflation   | 3.00%   |
| Future salary increases, including inflation   | 3.50% to 18.20%   |
| Investment rate of return  | 7.50% net of investment<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Measurement date   | 2.45%   |
| Prior measurement date   | 3.13%   |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Measurement date   | 2.63%   |
| Prior measurement date   | 3.22%   |
| Medical trend assumption:  |   |
| Measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |
| Prior measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 2.00 %               | 1.85 %                                    |
| US Equity              | 22.50                | 5.75                                      |
| International Equity   | 22.50                | 6.50                                      |
| Fixed Income           | 19.00                | 2.85                                      |
| Private Equity         | 12.00                | 7.60                                      |
| Real Assets            | 17.00                | 6.60                                      |
| Multi-Asset Strategies | 5.00                 | 6.65                                      |
| Total                  | <u>100.00 %</u>      |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

|  | 1% Decrease   | Current<br>Discount Rate | 1% Increase  |
|--|---|--------------------------|--------------|
|  | District's proportionate share<br>of the net OPEB liability | \$ 2,175,868             | \$ 1,777,706 |

  

|  | 1% Decrease   | Current<br>Trend Rate | 1% Increase  |
|--|---|-----------------------|--------------|
|  | District's proportionate share<br>of the net OPEB liability | \$ 1,399,808          | \$ 1,777,706 |

**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

|                                      | July 1, 2020  |          | July 1, 2019  |          |
|--------------------------------------|---|----------|---|----------|
| Inflation                            | 2.50%   |          | 2.50%   |          |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |          | 0.00%   |          |
| Discount rate of return              | 7.45%   |          | 7.45%   |          |
| Blended discount rate of return      | N/A   |          | N/A   |          |
| Health care cost trends              |   |          |   |          |
|                                      | Initial   | Ultimate | Initial   | Ultimate |
| Medical                              |   |          |   |          |
| Pre-Medicare                         | 5.00%   | 4.00%    | 5.87%   | 4.00%    |
| Medicare                             | -6.69%  | 4.00%    | 4.93%   | 4.00%    |
| Prescription Drug                    |   |          |   |          |
| Pre-Medicare                         | 6.50%   | 4.00%    | 7.73%   | 4.00%    |
| Medicare                             | 11.87%  | 4.00%    | 9.62%   | 4.00%    |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2019.

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return * |
|----------------------|----------------------|---|
| Domestic Equity      | 28.00 %              | 7.35 %                                      |
| International Equity | 23.00                | 7.55  |
| Alternatives         | 17.00                | 7.09  |
| Fixed Income         | 21.00                | 3.00  |
| Real Estate          | 10.00                | 6.00  |
| Liquidity Reserves   | 1.00                 | 2.25  |
| Total                | <u>100.00 %</u>      |   |

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase  |
|---|-------------|--------------------------|--------------|
| District's proportionate share<br>of the net OPEB asset | \$ 969,175  | \$ 1,113,911             | \$ 1,236,714 |

  

|   | 1% Decrease  | Current<br>Trend Rate | 1% Increase |
|---|--------------|-----------------------|-------------|
| District's proportionate share<br>of the net OPEB asset | \$ 1,229,091 | \$ 1,113,911          | \$ 973,604  |

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)**

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

**B. Employee Insurance Benefits**

The District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**C. Separation Benefits**

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

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

At June 30, 2021, the District did not have any liability for separation benefits.

**NOTE 12 - LONG-TERM OBLIGATIONS**

During fiscal year 2021, the following changes occurred in the District's long-term obligations:

|                                  | Balance<br>Outstanding<br>06/30/20 | Additions | Reductions   | Balance<br>Outstanding<br>06/30/21 | Amounts<br>Due in<br>One Year |
|----------------------------------|------------------------------------|-----------|--------------|------------------------------------|-------------------------------|
| <b>Governmental Activities:</b>  |                                    |           |              |                                    |                               |
| <u>General Obligation Bonds:</u> |                                    |           |              |                                    |                               |
| Series 2019 Refunding Bonds      |                                    |           |              |                                    |                               |
| Serial Bonds, 2.20%              | \$ 4,375,000                       | \$ -      | \$ (490,000) | \$ 3,885,000                       | \$ 520,000                    |
| Lease Purchase Agreement         | 1,942,000                          | -         | (74,000)     | 1,868,000                          | 77,000                        |
| Total governmental activities    | \$ 6,317,000                       | \$ -      | \$ (564,000) | \$ 5,753,000                       | \$ 597,000                    |

Series 2019 Refunding General Obligation Bonds

On September 17, 2019, the District issued bonds, in the amount of \$4,375,000, to refund bonds previously issued in fiscal year 2012 for constructing and renovating the District's buildings. This bond issuance is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. The refunding bond issue consists of serial bonds, in the amount of \$4,375,000. The bonds were issued for a ten year period, with final maturity in fiscal year 2028. The bonds are being repaid from the bond retirement debt service fund (a nonmajor governmental fund).



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The scheduled payments of principal and interest on general obligation bonds outstanding at June 30, 2021 are as follows:

| Fiscal Year<br>Ending June 30, | General Obligation<br>Serial Bonds |                   |                     |
|--------------------------------|------------------------------------|-------------------|---------------------|
|                                | Principal                          | Interest          | Total               |
| 2022                           | \$ 520,000                         | \$ 79,750         | \$ 599,750          |
| 2023                           | 530,000                            | 68,200            | 598,200             |
| 2024                           | 540,000                            | 56,430            | 596,430             |
| 2025                           | 555,000                            | 44,385            | 599,385             |
| 2026                           | 570,000                            | 32,010            | 602,010             |
| 2027 - 2028                    | 1,170,000                          | 25,850            | 1,195,850           |
| Total                          | <u>\$ 3,885,000</u>                | <u>\$ 306,625</u> | <u>\$ 4,191,625</u> |

Lease Purchase Agreement

On May 14, 2019, the District entered into a lease purchase agreement with Sterling National Bank for \$2,044,000 to assist in financing the construction, furnishing, and equipping of an athletic field house. The lease purchase agreement bears an interest rate of 3.39%. Interest payments on the lease purchase agreement are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2038. This lease purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. The lease purchase agreement will be retired through the permanent improvement fund (a nonmajor governmental fund).

The scheduled payments of principal and interest on the lease purchase agreement at June 30, 2021 are as follows:

| Fiscal Year<br>Ending June 30, | Lease Purchase Agreement |                   |                     |
|--------------------------------|--------------------------|-------------------|---------------------|
|                                | Principal                | Interest          | Total               |
| 2022                           | \$ 77,000                | \$ 62,020         | \$ 139,020          |
| 2023                           | 80,000                   | 59,359            | 139,359             |
| 2024                           | 82,000                   | 56,613            | 138,613             |
| 2025                           | 85,000                   | 53,782            | 138,782             |
| 2026                           | 88,000                   | 50,850            | 138,850             |
| 2027 - 2031                    | 487,000                  | 206,638           | 693,638             |
| 2032 - 2036                    | 575,000                  | 116,869           | 691,869             |
| 2037 - 2039                    | 394,000                  | 20,340            | 414,340             |
| Total                          | <u>\$ 1,868,000</u>      | <u>\$ 626,471</u> | <u>\$ 2,494,471</u> |

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$19,212,061 (including available funds of \$470,909) and an unvoted debt margin of \$251,402.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

|                                    | <u>Capital<br/>Improvements</u> |
|------------------------------------|---------------------------------|
| Set-aside balance June 30, 2020    | \$ -                            |
| Current year set-aside requirement | 271,462                         |
| Current year offsets               | <u>(384,639)</u>                |
| Total                              | <u>\$ (113,177)</u>             |
| Set-aside balance June 30, 2021    | <u>\$ -</u>                     |

**NOTE 14 - DONOR RESTRICTED ENDOWMENTS**

The District’s special revenue funds include donor restricted endowments. Endowments, in the amount of \$50,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$152,814 and is included as “restricted for scholarships”. State law permits the District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

**NOTE 15 - BUDGET BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budget basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of cash receipts, disbursements and changes in fund balance - budget and actual - budget basis presented for the general fund is presented on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 15 - BUDGET BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

| <b>Net Change in Fund Balance</b> |                     |
|-----------------------------------|---------------------|
|                                   | <u>General fund</u> |
| Budget basis                      | \$ (134,464)        |
| Funds budgeted elsewhere          | (20,140)            |
| Adjustment for encumbrances       | 961,389             |
| Cash basis                        | <u>\$ 806,785</u>   |

**NOTE 16 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year-end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>           | <u>Year-End<br/>Encumbrances</u> |
|-----------------------|----------------------------------|
| General               | \$ 976,844                       |
| Nonmajor governmental | 453,877                          |
| Total                 | <u>\$ 1,430,721</u>              |

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The disbursement 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2021, if applicable, cannot be determined at this time.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the fiscal year 2021 review, the District owes \$2,841 to ODE. This amount has not been included in the financial statements.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 18 - TAX ABATEMENTS**

The Village of Richwood has entered into a tax abatement agreement with Richwood Bank for the abatement of real property taxes. Under the agreement established by Ohio Revised Code (ORC) 5709.632 and 3735.65 through 3735.70, the business agrees to bring jobs and economic development into the Village in exchange for forgone property tax receipts. Under the agreement, the District's property tax receipts were abated by \$5,352. The District received \$5,352 from the business in association with the forgone tax receipts.

**NOTE 19 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the pension and other employee benefits plan in which the District participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 20 – SUBSEQUENT EVENT**

For fiscal year 2022, District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$201,778 in revenue and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each district. The District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| <b>FEDERAL GRANTOR</b><br><i>Passed Through Grantor</i><br>Program / Cluster Title | Federal<br>AL<br>Number | Total<br>Federal<br>Expenditures |
|--|-------------------------|----------------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                                       |                         |                                  |
| <i>Passed through the Ohio Department of Education</i>                             |                         |                                  |
| Child Nutrition Cluster:   |                         |                                  |
| Non-Cash Assistance  |                         |                                  |
| National School Lunch Program  | 10.555                  | \$ 46,380                        |
| Cash Assistance  |                         |                                  |
| COVID-19 School Breakfast Program  | 10.553                  | 12,708                           |
| School Breakfast Program   | 10.553                  | 150,172                          |
| COVID-19 National School Lunch Program   | 10.555                  | 56,455                           |
| National School Lunch Program  | 10.555                  | 352,193                          |
| Total Child Nutrition Cluster  |                         | <u>617,908</u>                   |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>  |                         | <b><u>617,908</u></b>            |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>   |                         |                                  |
| <i>Passed through the Ohio Department of Education</i>                             |                         |                                  |
| Title I Grants to Local Educational Agencies                                       | 84.010                  | 139,748                          |
| Special Education Cluster:   |                         |                                  |
| Special Education Grants to States   | 84.027                  | 353,451                          |
| Special Education Preschool Grants   | 84.173                  | 7,838                            |
| Total Special Education Cluster  |                         | <u>361,289</u>                   |
| Improving Teacher Quality State Grants   | 84.367                  | 30,581                           |
| Student Support and Academic Enrichment Program                                    | 84.424                  | 11,227                           |
| COVID-19 Education Stabilization Fund I  | 84.425D                 | 120,710                          |
| COVID-19 Education Stabilization Fund II   | 84.425D                 | 226,960                          |
| Total COVID-19 Education Stabilization Fund  |                         | <u>347,670</u>                   |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>  |                         | <b><u>890,515</u></b>            |
| <b><u>U.S. DEPARTMENT OF THE TREASURY</u></b>                                      |                         |                                  |
| <i>Passed through the Ohio Department of Education</i>                             |                         |                                  |
| COVID-19 Coronavirus Relief Fund   | 21.019                  | <u>104,857</u>                   |
| <b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>                                       |                         | <b><u>104,857</u></b>            |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>  |                         | <b><u>\$ 1,613,280</u></b>       |

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Union Local School District (the District's) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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

As part of our financial statement audit, we considered the 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 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 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.

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***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2021-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 13, 2022



# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Programs***

We have audited North Union Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect North Union Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the District's compliance for the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, North Union Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

***Report on Internal Control Over Compliance***

The 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 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 the Uniform Guidance, 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 District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program'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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

January 13, 2022

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

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

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified   |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified   |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Special Education Cluster<br>Education Stabilization Fund (#84.425D) |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others                           |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR §200.520?</b>   | No   |

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**FINDING NUMBER 2021-001**

**Material Noncompliance  
GAAP Reporting**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

Refer to Corrective Action Plan.

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

None.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

**4. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

**FINDING NUMBER 2021-002**

**Finding for Recovery – Repaid Under Audit**

**Ohio Rev. Code § 3319.141** provides that except for certain circumstances, each person who is employed by any board of education in this state shall be entitled to fifteen days sick leave with pay, for each year under contract, which shall be credited at the rate of one and one-fourth days per month. Unused sick leave shall be cumulative up to one hundred twenty work days, unless more than one hundred twenty days are approved by the employing board of education.

Furthermore, **Ohio Rev. Code § 124.39** provides that an employee of a political subdivision covered by section 124.38 or 3319.141 of the Revised Code may elect, at the time of retirement from active service with the political subdivision, and with ten or more years of service with the state, any political subdivisions, or any combination thereof, to be paid in cash for one-fourth the value of the employee's accrued but unused sick leave credit. The payment shall be based on the employee's rate of pay at the time of retirement and eliminates all sick leave credit accrued but unused by the employee at the time payment is made. Additionally, a political subdivision may adopt a policy allowing an employee to receive payment for more than one-fourth the value of the employee's unused sick leave or for more than the aggregate value of thirty days of the employee's unused sick leave, or allowing the number of years of service to be less than ten.

Lastly, **Article 1403 of the Master Agreement between the North Union Local School District Board of Education and the North Union Education Association OEA/NEA** establishes that the Board will provide bonus retirement pay for those bargaining unit members who have accumulated more than the one hundred twenty (120) days of sick leave at the time of retirement. Depending on years served at the District, up to five additional days of bonus retirement may be earned.

On June 25, 2021, former employee Sandra Ridge received her severance payout, which included four days of bonus retirement pay. As Ms. Ridge's sick leave balance at retirement was less than 120 days, the four days of bonus retirement pay were erroneously given, resulting in an overpayment of \$534.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against former employee Sandra Ridge, in the amount of \$534, in favor of the District's General Fund.

The Finding for Recovery was repaid in full to the General Fund and deposited on November 3, 2021.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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

Phone: (740) 943-2509  
 Fax: (740) 943-2534

**Board of Education**

Brian Davis, *President*  
 Matt Staley, *Vice President*  
 Shelly Ehret  
 Bradley DeCamp  
 Matthew Hall

**Administrative Team**

Richard J. Baird, Superintendent  
 Scott W. Maruniak, Treasurer  
 Dr. Erika Bower, Chief Academic Officer  
 Jared Evans, Director of Technology  
 Thomas Lish-Brown, Special Ed Director  
 Brian Nauman, Maintenance and  
 Transportation Director  
 Beverly Wasserbeck, Food Services  
 Director

***North Union Elementary***  
***420 Grove Street***

***Richwood, Ohio 43344***  
 Darlene Allison, Principal  
 Brent Markham, Assistant Principal  
 (740) 943-3113

***North Union Middle School***  
***12555 Mulvane Road***

***Richwood, Ohio 43344***  
 Matt Burggraf, Principal  
 (740) 943-2369

***North Union High School***  
***401 North Franklin Street***

***Richwood, Ohio 43344***  
 Justin Ufferman, Principal  
 Keith Conkling, Assistant Principal  
 (740) 943-3012

# Prepare • Challenge • Empower

*Together with our community  
 Preparing students for a changing world  
 Challenging students to grow  
 Empowering students to achieve with purpose*

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2021**

| Finding Number | Planned Corrective Action  | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2021-001       | The District does not have plans to correct the finding. The District will continue filing a cash basis financial report due to the cost of preparing a GAAP basis report. | N/A                         | Scott Maruniak, Treasurer  |

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# Prepare • Challenge • Empower

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 Preparing students for a changing world  
 Challenging students to grow  
 Empowering students to achieve with purpose*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2021**

| Finding Number | Finding Summary   | Status        | Additional Information  |
|----------------|---|---------------|---|
| 2020-001       | Material Noncompliance – Ohio Rev. Code §117.38 and Ohio Admin. Code § 117-2-03(B) – GAAP Reporting (this was first reported in 2010) | Not Corrected | Finding is being repeated in the current audit as finding 2021-001. |

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# OHIO AUDITOR OF STATE KEITH FABER



**NORTH UNION LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/3/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)