

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Union Local School District, Belmont County, Ohio, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Union Local School District, Belmont County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School District taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro  
Auditor of State

December 17, 1999

Union Local School District



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Union Local School District, Ohio  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$478,620	\$166,740	\$160,301	\$939,102
Cash in Segregated Accounts Cash and Cash Equivalents with Fiscal Agent	0	0	0	77,762
Receivables:				
Property and Other Taxes Accounts	1,739,644	38,455	315,323	185,682
Intergovernmental	1,893	0	0	0
Interfund	0	536	0	0
Prepaid Items	106,219	0	0	0
Inventory Held for Resale	90,204	4,503	0	0
Materials and Supplies Inventory	0	0	0	0
79,640	79,640	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	97,721	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund or Retirement of Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,593,941</b>	<b>\$210,234</b>	<b>\$475,624</b>	<b>\$1,202,546</b>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$720	\$0	\$64,227	\$0	\$0	\$1,809,710
0	0	0	0	0	77,762
0	103,336	0	0	0	103,336
0	0	0	0	0	2,279,104
0	0	0	0	0	1,893
27,088	0	0	0	0	27,624
0	0	0	0	0	106,219
5,088	0	0	0	0	99,795
12,037	0	0	0	0	12,037
1,032	0	0	0	0	80,672
0	0	0	0	0	97,721
403,478	0	0	21,887,226	0	22,290,704
0	0	0	0	172,512	172,512
0	0	0	0	4,002,019	4,002,019
<u>\$449,443</u>	<u>\$103,336</u>	<u>\$64,227</u>	<u>\$21,887,226</u>	<u>\$4,174,531</u>	<u>\$31,161,108</u>

(continued)

Union Local School District, Ohio  
 Combined Balance Sheet  
 All Fund Types and Account Groups (Continued)  
 June 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$60,176	\$7,495	\$0	\$10,665
Contracts Payable	0	0	0	17,182
Accrued Wages and and Benefits Payable	755,793	73,459	0	0
Retainage Payable	0	0	0	77,762
Compensated Absences Payable	8,191	0	0	0
Interfund Payable	0	1,641	0	0
Intergovernmental Payable	225,764	18,151	0	103
Deferred Revenue	1,679,422	36,966	303,112	173,635
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>2,729,346</u></b>	<b><u>137,712</u></b>	<b><u>303,112</u></b>	<b><u>279,347</u></b>
<u>Fund Equity and Other Credits:</u>				
<u>Investment in</u>				
General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved (Deficit)	0	0	0	0
<u>Fund Balance:</u>				
Reserved for Encumbrances	39,796	36,781	0	74,750
Reserved for Inventory	79,640	0	0	0
Reserved for Property Taxes	62,115	1,489	12,211	12,047
Reserved for Endowments	0	0	0	0
Reserved for Budget Stabilization	97,721	0	0	0
Unreserved, Undesignated (Deficits)	<u>(414,677)</u>	<u>34,252</u>	<u>160,301</u>	<u>836,402</u>
<b>Total Fund Equity (Deficits) and Other Credits</b>	<b><u>(135,405)</u></b>	<b><u>72,522</u></b>	<b><u>172,512</u></b>	<b><u>923,199</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$2,593,941</u></b>	<b><u>\$210,234</u></b>	<b><u>\$475,624</u></b>	<b><u>\$1,202,546</u></b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$12,250	\$0	\$0	\$90,586
0	0	0	0	0	17,182
30,437	0	0	0	0	859,689
0	0	0	0	0	77,762
11,255	0	0	0	729,403	748,849
104,578	0	0	0	0	106,219
17,685	0	0	0	72,197	333,900
6,546	0	0	0	0	2,199,681
0	0	21,430	0	0	21,430
0	0	0	0	7,931	7,931
0	18,555	0	0	0	18,555
0	0	0	0	3,365,000	3,365,000
<u>170,501</u>	<u>18,555</u>	<u>33,680</u>	<u>0</u>	<u>4,174,531</u>	<u>7,846,784</u>
0	0	0	21,887,226	0	21,887,226
659,428	0	0	0	0	659,428
(380,486)	84,781	0	0	0	(295,705)
0	0	0	0	0	151,327
0	0	0	0	0	79,640
0	0	0	0	0	87,862
0	0	6,000	0	0	6,000
0	0	0	0	0	97,721
0	0	24,547	0	0	640,825
<u>278,942</u>	<u>84,781</u>	<u>30,547</u>	<u>21,887,226</u>	<u>0</u>	<u>23,314,324</u>
<u>\$449,443</u>	<u>\$103,336</u>	<u>\$64,227</u>	<u>\$21,887,226</u>	<u>\$4,174,531</u>	<u>\$31,161,108</u>

Union Local School District, Ohio  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Fiscal Year Ended June 30, 1999

	Governmental	
	General	Special Revenue
<b>Revenues:</b>		
Property and Other Taxes	\$1,651,005	\$35,914
Intergovernmental	5,814,618	758,257
Interest	73,829	193
Tuition and Fees	44,106	136
Extracurricular Activities	0	114,869
Gifts and Donations	60	1,263
Miscellaneous	9,043	0
<b>Total Revenues</b>	<b>7,592,661</b>	<b>910,632</b>
<b>Expenditures:</b>		
<b>Current:</b>		
<b>Instruction:</b>		
Regular	4,018,617	228,510
Special	560,701	466,627
Vocational	213,834	0
Adult/Continuing	0	2,051
Other	11,988	0
<b>Support Services:</b>		
Pupils	231,539	45,645
Instructional Staff	260,891	41,876
Board of Education	54,141	0
Administration	667,222	5,724
Fiscal	202,696	1,538
Operation and Maintenance of Plant	976,970	0
Pupil Transportation	548,050	0
Central	4,498	4,946
Extracurricular Activities	109,217	125,184
Capital Outlay	0	0
<b>Debt Service:</b>		
Principal	933	0
Interest and Fiscal Charges	0	0
<b>Total Expenditures</b>	<b>7,861,297</b>	<b>922,101</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(268,636)</b>	<b>(11,469)</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds from Sale of Fixed Assets	3,387	0
Operating Transfers In	0	47
Operating Transfers Out	(142,274)	(47)
<b>Total Other Financing Sources (Uses)</b>	<b>(138,887)</b>	<b>0</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(407,523)</b>	<b>(11,469)</b>
Fund Balances at Beginning of Year	245,180	83,991
Increase in Reserve for Inventory	26,938	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>(\$135,405)</b>	<b>\$72,522</b>

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$294,490	\$310,064	\$0	\$2,291,473
34,237	2,149,500	0	8,756,612
0	49,327	328	123,677
0	0	0	44,242
0	0	0	114,869
0	0	22,820	24,143
0	0	0	9,043
<u>328,727</u>	<u>2,508,891</u>	<u>23,148</u>	<u>11,364,059</u>
0	429,739	19,950	4,696,816
0	0	0	1,027,328
0	0	0	213,834
0	0	0	2,051
0	0	0	11,988
0	0	0	277,184
0	0	21	302,788
0	0	0	54,141
0	0	0	672,946
6,865	7,245	0	218,344
0	324,968	0	1,301,938
0	94,207	0	642,257
0	0	0	9,444
0	0	0	234,401
0	1,962,671	0	1,962,671
60,000	0	0	60,933
<u>198,570</u>	<u>0</u>	<u>0</u>	<u>198,570</u>
<u>265,435</u>	<u>2,818,830</u>	<u>19,971</u>	<u>11,887,634</u>
<u>63,292</u>	<u>(309,939)</u>	<u>3,177</u>	<u>(523,575)</u>
0	0	0	3,387
0	142,274	0	142,321
0	0	0	(142,321)
<u>0</u>	<u>142,274</u>	<u>0</u>	<u>3,387</u>
63,292	(167,665)	3,177	(520,188)
109,220	1,090,864	8,717	1,537,972
0	0	0	26,938
<u>\$172,512</u>	<u>\$923,199</u>	<u>\$11,894</u>	<u>\$1,044,722</u>

Union Local School District, Ohio  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$1,520,000	\$1,648,434	\$128,434
Intergovernmental	6,639,780	5,829,755	(810,025)
Interest	75,000	76,210	1,210
Tuition and Fees	38,800	44,106	5,306
Extracurricular Activities	0	0	0
Gifts and Donations	3,000	60	(2,940)
Miscellaneous	5,000	9,093	4,093
<b>Total Revenues</b>	<b>8,281,580</b>	<b>7,607,658</b>	<b>(673,922)</b>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,947,260	3,979,967	(32,707)
Special	574,087	576,890	(2,803)
Vocational	212,652	212,358	294
Adult/Continuing	0	0	0
Other	8,500	8,486	14
Support Services:			
Pupils	220,014	215,357	4,657
Instructional Staff	239,950	237,579	2,371
Board of Education	55,220	53,984	1,236
Administration	691,425	683,595	7,830
Fiscal	203,750	204,121	(371)
Operation and Maintenance of Plant	1,005,926	1,003,567	2,359
Pupil Transportation	633,329	558,378	74,951
Central	4,500	4,498	2
Extracurricular Activities	106,911	106,646	265
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>7,903,524</b>	<b>7,845,426</b>	<b>58,098</b>
<b>Excess of Revenues Under Expenditures</b>	<b>378,056</b>	<b>(237,768)</b>	<b>(615,824)</b>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	3,200	3,387	187
Advances Out	(42,000)	(42,000)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(142,275)	(142,274)	1
<b>Total Other Financing Sources (Uses)</b>	<b>(181,075)</b>	<b>(180,887)</b>	<b>188</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>196,981</b>	<b>(418,655)</b>	<b>(615,636)</b>
Fund Balances at Beginning of Year	727,282	727,282	0
Prior Year Encumbrances Appropriated	215,337	215,337	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>\$1,139,600</b>	<b>\$523,964</b>	<b>(\$615,636)</b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$36,000	\$35,839	(\$161)	\$305,000	\$293,877	(\$11,123)
756,247	773,076	16,829	-15,113	34,237	19,124
200	211	11	0	0	0
0	0	0	0	0	0
115,887	115,223	(664)	0	0	0
650	1,263	613	0	0	0
0	0	0	0	0	0
<u>908,984</u>	<u>925,612</u>	<u>16,628</u>	<u>320,113</u>	<u>328,114</u>	<u>8,001</u>
271,876	213,234	58,642	0	0	0
570,024	493,816	76,208	0	0	0
0	0	0	0	0	0
2,921	2,921	0	0	0	0
0	0	0	0	0	0
63,780	60,986	2,794	0	0	0
56,878	54,359	2,519	0	0	0
0	0	0	0	0	0
12,528	6,146	6,382	0	0	0
1,542	1,539	3	6,865	6,865	0
0	0	0	0	0	0
0	0	0	0	0	0
5,110	4,834	276	0	0	0
151,728	130,646	21,082	0	0	0
0	0	0	0	0	0
0	0	0	60,000	60,000	0
0	0	0	198,570	198,570	0
<u>1,136,387</u>	<u>968,481</u>	<u>167,906</u>	<u>265,435</u>	<u>265,435</u>	<u>0</u>
<u>(227,403)</u>	<u>(42,869)</u>	<u>184,534</u>	<u>54,678</u>	<u>62,679</u>	<u>8,001</u>
0	0	0	0	0	0
0	0	0	0	0	0
31,823	47	(31,776)	0	0	0
<u>(33,376)</u>	<u>(47)</u>	<u>33,329</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(1,553)</u>	<u>0</u>	<u>1,553</u>	<u>0</u>	<u>0</u>	<u>0</u>
(228,956)	(42,869)	186,087	54,678	62,679	8,001
158,643	158,643	0	97,622	97,622	0
11,860	11,860	0	0	0	0
<u>(\$58,453)</u>	<u>\$127,634</u>	<u>\$186,087</u>	<u>\$152,300</u>	<u>\$160,301</u>	<u>\$8,001</u>

(continued)

Union Local School District, Ohio  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Funds (Continued)  
 For the Fiscal Year Ended June 30, 1999

	<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$356,500	\$309,476	(\$47,024)
Intergovernmental	1,991,692	2,149,500	157,808
Interest	23,733	49,956	26,223
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>2,371,925</u>	<u>2,508,932</u>	<u>137,007</u>
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Instruction:</u>			
Regular	469,542	455,755	13,787
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Other	0	0	0
<u>Support Services:</u>			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	8,250	7,245	1,005
Operation and Maintenance of Plant	335,507	324,968	10,539
Pupil Transportation	183,380	95,075	88,305
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	2,529,307	2,471,646	57,661
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>3,525,986</u>	<u>3,354,689</u>	<u>171,297</u>
Excess of Revenues Under Expenditures	<u>(1,154,061)</u>	<u>(845,757)</u>	<u>308,304</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	0	0	0
Advances Out	0	0	0
Operating Transfers In	107,527	142,274	34,747
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>107,527</u>	<u>142,274</u>	<u>34,747</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,046,534)</u>	<u>(703,483)</u>	<u>343,051</u>
Fund Balances at Beginning of Year	1,287,672	1,287,672	0
Prior Year Encumbrances Appropriated	345,914	345,914	0
Fund Balances (Deficits) at End of Year	<u>\$587,052</u>	<u>\$930,103</u>	<u>\$343,051</u>

See accompanying notes to the general purpose financial statements

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,217,500	\$2,287,626	\$70,126
0	0	0	9,402,832	8,786,568	(616,264)
200	500	300	99,133	126,877	27,744
0	0	0	38,800	44,106	5,306
0	0	0	115,887	115,223	(664)
23,032	22,671	(361)	26,682	23,994	(2,688)
0	0	0	5,000	9,093	4,093
<u>23,232</u>	<u>23,171</u>	<u>(61)</u>	<u>11,905,834</u>	<u>11,393,487</u>	<u>(512,347)</u>
26,900	26,700	200	4,715,578	4,675,656	39,922
0	0	0	1,144,111	1,070,706	73,405
0	0	0	212,652	212,358	294
0	0	0	2,921	2,921	0
0	0	0	8,500	8,486	14
0	0	0	283,794	276,343	7,451
29	22	7	296,857	291,960	4,897
0	0	0	55,220	53,984	1,236
0	0	0	703,953	689,741	14,212
0	0	0	220,407	219,770	637
0	0	0	1,341,433	1,328,535	12,898
0	0	0	816,709	653,453	163,256
0	0	0	9,610	9,332	278
0	0	0	258,639	237,292	21,347
0	0	0	2,529,307	2,471,646	57,661
0	0	0	60,000	60,000	0
0	0	0	198,570	198,570	0
<u>26,929</u>	<u>26,722</u>	<u>207</u>	<u>12,858,261</u>	<u>12,460,753</u>	<u>397,508</u>
<u>(3,697)</u>	<u>(3,551)</u>	<u>146</u>	<u>(952,427)</u>	<u>(1,067,266)</u>	<u>(114,839)</u>
0	0	0	3,200	3,387	187
0	0	0	(42,000)	(42,000)	0
0	0	0	139,350	142,321	2,971
0	0	0	(175,651)	(142,321)	33,330
0	0	0	(75,101)	(38,613)	36,488
<u>(3,697)</u>	<u>(3,551)</u>	<u>146</u>	<u>(1,027,528)</u>	<u>(1,105,879)</u>	<u>(78,351)</u>
26,596	26,596	0	2,297,815	2,297,815	0
1,029	1,029	0	574,140	574,140	0
<u>\$23,928</u>	<u>\$24,074</u>	<u>\$146</u>	<u>\$1,844,427</u>	<u>\$1,766,076</u>	<u>(\$78,351)</u>

Union Local School District, Ohio  
 Combined Statement of Revenues,  
 Expenses, and Changes in Fund Equity  
 All Proprietary Fund Types and Non-Expendable Trust Funds  
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	
<b><u>Operating Revenues:</u></b>				
Sales	\$201,855	\$0	\$0	\$201,855
Charges for Services	0	250,492	0	250,492
Interest	0	0	737	737
Other Revenues	429	0	0	429
<b>Total Operating Revenues</b>	<b>202,284</b>	<b>250,492</b>	<b>737</b>	<b>453,513</b>
<b><u>Operating Expenses:</u></b>				
Salaries	153,813	0	0	153,813
Fringe Benefits	58,632	0	0	58,632
Purchased Services	777	7,618	0	8,395
Materials and Supplies	4,999	0	0	4,999
Cost of Sales	240,234	0	0	240,234
Depreciation	21,170	0	0	21,170
Claims	0	262,071	0	262,071
Capital Outlay	0	0	0	0
Other	1,166	0	300	1,466
<b>Total Operating Expenses</b>	<b>480,791</b>	<b>269,689</b>	<b>300</b>	<b>750,780</b>
<b>Operating Income (Loss)</b>	<b>(278,507)</b>	<b>(19,197)</b>	<b>437</b>	<b>(297,267)</b>
<b><u>Non-Operating Revenues:</u></b>				
Federal Donated Commodities	29,658	0	0	29,658
Interest	0	5,796	0	5,796
Operating Grants	199,974	0	0	199,974
<b>Total Non-Operating Revenues</b>	<b>229,632</b>	<b>5,796</b>	<b>0</b>	<b>235,428</b>
<b>Net Income (Loss)</b>	<b>(48,875)</b>	<b>(13,401)</b>	<b>437</b>	<b>(61,839)</b>
<b>Retained Earnings/Fund Balance (Deficit) at Beginning of Year</b>	<b>(331,611)</b>	<b>98,182</b>	<b>18,216</b>	<b>(215,213)</b>
<b>Retained Earnings/Fund Balance (Deficit) at End of Year</b>	<b>(380,486)</b>	<b>84,781</b>	<b>18,653</b>	<b>(277,052)</b>
<b>Contributed Capital Beginning of Year</b>	<b>540,322</b>	<b>0</b>	<b>0</b>	<b>540,322</b>
<b>Current Capital Contributions- Governmental Funds</b>	<b>119,106</b>	<b>0</b>	<b>0</b>	<b>119,106</b>
<b>Contributed Capital at End of Year</b>	<b>659,428</b>	<b>0</b>	<b>0</b>	<b>659,428</b>
<b>Fund Equity at End of Year</b>	<b>\$278,942</b>	<b>\$84,781</b>	<b>\$18,653</b>	<b>\$382,376</b>

See accompanying notes to the general purpose financial statements

Union Local School District, Ohio  
 Combined Statement of Revenues, Expenses, and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types and Non-Expendable Trust Funds  
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Sales	\$223,888	\$201,855	(\$22,033)
Charges for Services	0	0	0
Operating Grants	217,000	196,503	(20,497)
Interest	0	0	0
Other Revenues	400	429	29
<b>Total Revenues</b>	<b>441,288</b>	<b>398,787</b>	<b>(42,501)</b>
<b>Expenses:</b>			
Salaries	156,720	151,163	5,557
Fringe Benefits	71,020	72,604	(1,584)
Purchased Services	850	777	73
Materials and Supplies	218,623	214,357	4,266
Capital Outlay	0	0	0
Other	1,500	1,166	334
<b>Total Expenses</b>	<b>448,713</b>	<b>440,067</b>	<b>8,646</b>
Excess of Revenues Over (Under) Expenses	(7,425)	(41,280)	(33,855)
Advances In	0	42,000	42,000
Excess of Revenues Over (Under) Expenses and Advances	(7,425)	720	8,145
Fund Equity at Beginning of Year	(18,223)	(18,223)	0
Prior Year Encumbrances Appropriated	18,223	18,223	0
Fund Equity (Deficit) at End of Year	<b>(\$7,425)</b>	<b>\$720</b>	<b>\$8,145</b>

(continued)

Union Local School District, Ohio  
 Combined Statement of Revenues, Expenses, and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types and Non-Expendable Trust Funds (Continued)  
 For the Fiscal Year Ended June 30, 1999

	<u>Internal Service Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Sales	\$0	\$0	\$0
Charges for Services	234,778	250,492	15,714
Operating Grants	0	0	0
Interest	4,800	5,796	996
Other Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>239,578</u>	<u>256,288</u>	<u>16,710</u>
<u>Expenses:</u>			
Salaries	0	0	0
Fringe Benefits	600	646	(46)
Purchased Services	246,500	272,945	(26,445)
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>247,100</u>	<u>273,591</u>	<u>(26,491)</u>
Excess of Revenues Over (Under) Expenses	(7,522)	(17,303)	(9,781)
Advances In	0	0	0
Excess of Revenues Over (Under) Expenses and Advances In	(7,522)	(17,303)	(9,781)
Fund Equity at Beginning of Year	120,639	120,639	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity (Deficit) at End of Year	<u>\$113,117</u>	<u>\$103,336</u>	<u>(\$9,781)</u>

See accompanying notes to the general purpose financial statements

Non-Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$223,888	\$201,855	(\$22,033)
0	0	0	234,778	250,492	15,714
0	0	0	217,000	196,503	(20,497)
749	749	0	5,549	6,545	996
0	0	0	400	429	29
<u>749</u>	<u>749</u>	<u>0</u>	<u>681,615</u>	<u>655,824</u>	<u>(25,791)</u>
0	0	0	156,720	151,163	5,557
0	0	0	71,620	73,250	(1,630)
0	0	0	247,350	273,722	(26,372)
0	0	0	218,623	214,357	4,266
0	0	0	0	0	0
650	650	0	2,150	1,816	334
<u>650</u>	<u>650</u>	<u>0</u>	<u>696,463</u>	<u>714,308</u>	<u>(17,845)</u>
99	99	0	(14,848)	(58,484)	(43,636)
0	0	0	0	42,000	42,000
99	99	0	(14,848)	(16,484)	(1,636)
18,494	18,494	0	120,910	120,910	0
0	0	0	18,223	18,223	0
<u>\$18,593</u>	<u>\$18,593</u>	<u>\$0</u>	<u>\$124,285</u>	<u>\$122,649</u>	<u>(\$1,636)</u>

Union Local School District, Ohio  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Funds  
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non -Expendable Trust</u>	
Increase (Decrease) in <u>Cash and Cash Equivalents:</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$201,854	\$0	\$0	\$201,854
Cash Received from Quasi-External Transactions with Other Funds	0	250,492	0	250,492
Cash Payments to Suppliers for Goods and Services	(215,523)	(7,618)	0	(223,141)
Cash Payments for Employee Services	(151,163)	0	0	(151,163)
Cash Payments for Employee Benefits	(72,604)	0	0	(72,604)
Cash Payments for Scholarships	0	0	(650)	(650)
Cash Payments for Claims	0	(265,973)	0	(265,973)
Other Operating Revenues	429	0	0	429
Other Operating Expenses	(777)	0	0	(777)
Net Cash Used for Operating Activities	<u>(237,784)</u>	<u>(23,099)</u>	<u>(650)</u>	<u>(261,533)</u>
Cash Flows from <u>Noncapital Financing Activities:</u>				
Advances In	42,000	0	0	42,000
Operating Grants Received	196,504	0	0	196,504
Net Cash Provided by Noncapital Financing Activities	<u>238,504</u>	<u>0</u>	<u>0</u>	<u>238,504</u>
<u>Cash Flows from Investing Activities:</u>				
Interest on Investments	0	5,796	737	6,533
Net Increase (Decrease) in Cash and Cash Equivalents	720	(17,303)	87	(16,496)
Cash and Cash Equivalents at Beginning of Year	<u>0</u>	<u>120,639</u>	<u>18,566</u>	<u>139,205</u>
Cash and Cash Equivalents at End of Year	<u>\$720</u>	<u>\$103,336</u>	<u>\$18,653</u>	<u>\$122,709</u>

(continued)

Union Local School District, Ohio  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Funds (Continued)  
 For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non -Expendable Trust</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by <u>(Used for) Operating Activities:</u>				
Operating Income (Loss)	<u>(\$278,507)</u>	<u>(\$19,197)</u>	<u>\$437</u>	<u>(\$297,267)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by <u>(Used for) Operating Activities:</u>				
Depreciation	21,170	0	0	21,170
Donated Commodities Used During the Year	29,658	0	0	29,658
Interest	0	0	(737)	(737)
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	0	0	0	0
Increase in Prepaids	(5,088)	0	0	(5,088)
Increase in Inventory Held for Resale	(3,219)	0	0	(3,219)
Decrease in Materials and Supplies Inventory	321	0	0	321
Decrease in Accounts Payable	(5,970)	0	0	(5,970)
Increase in Accrued Wages and Benefits Payable	2,159	0	0	2,159
Increase in Compensated Absences Payable	3,158	0	0	3,158
Decrease in Intergovernmental Payable	(1,466)	0	(350)	(1,816)
Decrease in Claims Payable	<u>0</u>	<u>(3,902)</u>	<u>0</u>	<u>(3,902)</u>
Total Adjustments	<u>40,723</u>	<u>(3,902)</u>	<u>(1,087)</u>	<u>35,734</u>
Net Cash Used for Operating Activities	<u>(\$237,784)</u>	<u>(\$23,099)</u>	<u>(\$650)</u>	<u>(\$261,533)</u>
<u>Reconciliation:</u>				
Cash and Cash Equivalents - All Fiduciary Funds			\$64,227	
Cash and Cash Equivalents - Agency Fund			(21,426)	
Cash and Cash Equivalents - All Expendable Trust Funds			<u>(24,148)</u>	
Cash and Cash Equivalents - All Non-Expendable Trust Funds			<u>\$18,653</u>	

Non-cash transactions:

During fiscal year 1999, the Food Service Enterprise Fund fixed asset additions in the amount of \$119,106 were received from governmental funds, and were recorded as contributed capital.

See accompanying notes to the general purpose financial statements

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

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

The School District was established in 1952 through the consolidation of the Union Township, Smith Township, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont Centerville, Bethesda, and Flushing. The School District is the 346th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 64 non-certificated employees, 108 certificated full-time teaching personnel and 12 administrative employees who provide services to 1,658 students and other community members. Subsequent to the completion of the renovations to the high school building and new addition and the construction of the new elementary school, the Flushing, Centerville, Belmont, and Bethesda Elementary Buildings were turned over to the communities for one dollar. The School District currently operates 2 instructional buildings, 1 administrative building, and 1 garage.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit.

The School District is involved with the Belmont-Harrison Joint Vocational School, the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan which are defined as jointly governed organizations, an insurance purchasing pool, and a claims servicing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

The financial statements of the Union Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

### **C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

#### *Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Belmont County Budget Commission for rate determination.

#### *Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts and immaterial adjustments made by the Treasurer, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents and Cash with Fiscal Agent**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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During fiscal year 1999, investments were limited to repurchase agreements. The nonparticipating investment contracts, repurchase agreements, are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$73,829, which includes \$16,799 assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the combined balance sheet as "cash and cash equivalents with fiscal agents" since they are not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

#### **E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

#### **F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### **G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
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capitalization threshold of one hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

#### **H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

Textbook Subsidy  
Continuous Improvement  
Education Management Information Systems  
Disadvantaged Pupil Impact Aid  
Title I  
Title VI  
Title VI-B  
Professional Development Block Grant

*Capital Projects Funds*

School Net  
Technology Equity

*Reimbursable Grants*

*General Fund*

Driver Education

Union Local School District, Ohio  
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For the Fiscal Year Ended June 30, 1999

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*Proprietary Funds*

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 74 percent of governmental fund revenue during the 1999 fiscal year.

**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**K. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for certified, administrative, and classified employees after 15 years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
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**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. The amount of contributed capital increased in the amount of \$119,106 for contributions from governmental funds.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Q. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 1999, the General Fund, Schoolnet Professional Development Special Revenue Fund, Title 1 Special Revenue Fund, and the Food Service Enterprise Fund had a deficit fund balance/retained earnings of \$135,405, \$109, \$56,520, and \$380,486, respectively. The deficit in the General Fund were created by the application generally accepted accounting principles. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. On a cash basis, the School District has sufficient money for its current operations. The Schoolnet Professional Development and Title 1 Special Revenue Funds' deficit fund balances were created by the application of generally accepted accounting principles. These funds receive transfers from the General Fund when cash is required rather than when accruals occur. The Food Service Enterprise Fund had deficit retained earnings due to the recognition of contributed capital in accordance with generally accepted accounting principles. In addition, the School District

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
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has not established charges for services sufficient to cover costs of operation. The School District will review this practice to determine possible alternatives.

**B. Compliance**

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999.

Fund Type/Fund	Estimated Resources	Appropriations	Excess
Special Revenue Funds:			
OACHE Grant	\$4,314	\$4,320	\$6
Disadvantaged Pupil Impact Aid	234,505	257,215	22,710
Title 1	418,765	545,457	126,692
Capital Projects Funds:			
Emergency School Repairs	322,537	328,518	5,981
Tech Equity	276,938	299,242	22,304
Enterprise Fund:			
Uniform School Supplies	0	7,425	7,425

In the future, the School District will revise the appropriation resolution during the year and amend the certificate of estimated resources as needed in an effort to eliminate appropriations in excess of estimated revenues.

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

	<u>Excess</u>
General Fund:	
Regular Instruction	
Fringe Benefits	\$32,625
Other	898
Special Instruction	
Fringe Benefits	4,674

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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	Excess
General Fund (Continued):	
Vocational Instruction	
Fringe Benefits	\$1,750
Support Services - Instructional	
Fringe Benefits	2,610
Support Services - Fiscal	
Fringe Benefits	2,828
Support Services - Operation and Maintenance	
Fringe Benefits	4,647
Support Services - Pupil Transportation	
Fringe Benefits	3,039
Extra Curricular Activities	
Fringe Benefits	621
Special Revenue Funds:	
Disadvantaged Pupils Impact Aid Fund	
Regular Instruction	
Fringe Benefits	1,719
Schoolnet Professional Development Fund	
Support Service - Instructional Staff	
Fringe Benefits	18
Internal Service Fund:	
Self-Insurance Fund	
Operating Expense	
Fringe Benefits	47

The District will more closely monitor budgeted amounts and revenue estimates in the future.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues,

Union Local School District, Ohio  
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Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Union Local School District, Ohio  
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Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$407,523)	(\$11,469)	\$63,292	(\$167,665)	\$3,177
Revenue Accruals	10,689	14,967	(613)	(1,631)	(51)
Unrecorded Cash	4,308	13	0	1,672	74
Expenditure Accruals	(24,623)	(13,431)	0	(450,770)	(6,751)
Prepaid Items	90,204	4,503	0	0	0
Advances - Out	(42,000)	0	0	0	0
Encumbrances	(49,710)	(37,452)	0	(85,089)	0
Budget Basis	<u>(\$418,655)</u>	<u>(\$42,869)</u>	<u>\$62,679</u>	<u>(\$703,483)</u>	<u>(\$3,551)</u>

Net Income (Loss)/Excess of Revenues Over (Under) Expenses and Advances  
All Proprietary Fund Types and Non-expendable Trust Funds

	Enterprise	Internal Service	Non-expendable Trust
GAAP Basis	(\$48,875)	(\$13,401)	\$437
Revenue Accrual	(33,129)	0	(48)
Unrecorded Cash	0	0	60
Expense Accrual	1,397	(3,902)	(350)
Prepaid Items	5,088	0	0
Materials and Supplies Inventory	1,032	0	0
Inventory Held for Resale	12,037	0	0
Depreciation Expense	21,170	0	0
Advances-In	42,000	0	0
Budget Basis	<u>\$720</u>	<u>(\$17,303)</u>	<u>\$99</u>

## **NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market 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;

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Cash on Hand*** At year end, the School District had \$6,127 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

***Deposits*** At year end the carrying amount of the School District's deposits was (\$4,189) and the bank balance was \$56,027. The full amount of the bank balance was covered by federal depository insurance.

***Investments*** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

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	Category 2	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$0	\$1,989,382	\$1,989,382	\$2,029,170
Totals			\$1,989,382	\$2,029,170

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,088,529	\$0
Deposits with Fiscal Agent	(103,336)	
Investments: Repurchase Agreement	(1,989,382)	1,989,382
Total GASB Statement 3	(\$4,189)	\$1,989,382

At June 30, 1999, the School District's internal service fund had a balance of \$103,336 with OME-RESA, a jointly governed organization (See Note 18). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar

Union Local School District, Ohio  
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1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1998 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,577,250	77.3%	\$61,127,090	77.2%
Public Utility	13,069,130	17.0	13,411,710	17.0
Tangible Personal Property	4,393,400	5.7	4,601,530	5.8
Total Assessed Value	<u>\$77,039,780</u>	<u>100.00%</u>	<u>\$79,140,330</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.08		\$40.05	

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

Union Local School District, Ohio  
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The amount available as an advance at June 30, 1999 was \$62,115 in the General Fund, \$12,211 in the Debt Service Fund, \$12,047 in the Permanent Improvement Fund, and \$1,489 Classroom Maintenance Special Revenue Fund. The amount available as an advance at June 30, 1998 was 59,544 in the General Fund, \$11,598 in the Debt Service Fund, \$11,459 in the Permanent Improvement Capital Projects Fund, and \$1,414 in the Classroom Maintenance Special Revenue Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
Miscellaneous State	\$536
Enterprise Fund:	
State/ Federal Food Service Subsidy	27,088
Total Intergovernmental Receivables	\$27,624

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$496,431
Less Accumulated Depreciation	(92,953)
Net Fixed Assets	\$403,478

Union Local School District, Ohio  
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A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$237,415	\$1,645,505	\$40,160	\$1,842,760
Buildings and Improvements	3,043,443	15,831,152	1,283,276	17,591,319
Furniture and Fixtures, and Machinery and Equipment	2,194,293	520,718	1,263,532	1,451,479
Vehicles	922,547	148,576	69,455	1,001,668
Construction in Progress	<u>15,986,813</u>	<u>1,489,844</u>	<u>17,476,657</u>	<u>0</u>
Total General Fixed Assets	<u>\$22,384,511</u>	<u>\$19,635,795</u>	<u>\$20,133,080</u>	<u>\$21,887,226</u>

During fiscal year 1999, the School District turned over the Flushing, Belmont, Bethesda and Morristown Elementary Buildings to the villages in which they were located. In addition, all furniture and equipment in each building were turned over to the villages.

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$30,323,300
Boiler and Machinery (\$1,000 deductible)	7,000,000
Automobile/Uninsured Motorists (\$250 deductible)	7,500,000
General Liability	
Per occurrence	2,000,000
Total per year	2,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
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then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Prescription, vision and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$18,555 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$10,665	\$242,323	\$230,531	\$22,457
1999	22,457	262,071	265,973	18,555

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Union Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum

Union Local School District, Ohio  
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amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$90,250, \$106,252 and \$107,146, respectively; 41.30 percent has been contributed for fiscal year 1999, and 100 percent for fiscal years 1998 and 1997. \$43,296 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Union Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$227,710, \$423,666 and \$458,522, respectively; 81.25 percent has been contributed for fiscal year 1999, 99 percent for fiscal year 1998 and 100 percent for fiscal year 1997. \$42,692 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$303,613 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest

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information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$91,754.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## **NOTE 12 - EMPLOYEE BENEFITS**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 272 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days.

### **B. Other Insurance**

The School District contracts with local health management organizations, Health Plan of the Upper Ohio Valley and Medical Mutual of Ohio, for hospitalization and major medical insurance for all employees. The School District pays monthly premiums of up to \$662.60 for family coverage and up to \$254.49 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
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**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into a capitalized lease with the Carson Petroleum Company, Lansing, Ohio, for the purchase of underground fuel storage tanks. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The underground fuel storage tanks have been capitalized in the general fixed assets account group in the amount of \$19,400. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$933 in the governmental funds. Future payment amounts vary based upon fuel purchases in each fiscal year until the balance is fully repaid.

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds				
1997 - Variable Interest	\$3,425,000	\$0	\$60,000	\$3,365,000
Capital Leases	8,864	0	933	7,931
Pension Obligation	82,797	72,197	82,797	72,197
Compensated Absences	687,088	273,752	231,437	729,403
Total General Long-Term Obligations	<u>\$4,203,749</u>	<u>\$345,949</u>	<u>\$375,167</u>	<u>\$4,174,531</u>

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation, which represents the contractually required pension contribution paid outside the available period, will be paid from the fund from which the employees' salaries are paid.

The general obligation bonds were issued in 1997 and represented the local share for the School District's construction of the new high school, new elementary school, and for middle school renovations. The general obligation bonds will be paid from the proceed of a 4.5 mill bond levy. In addition to these proceeds, the School District received \$15,262,035 in monies from the Ohio School Facilities Commission. Initially, repayment of the Ohio School Facilities Commission funds was to be made over a twenty-three year period from a half-mill levy. During 1998, the School District

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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passed the necessary board resolution which enables the School District to retain the half-mill levy for the maintenance of the new buildings due to the District's assessed values being below the statewide median. As a result of the approval from the Ohio School Facilities Commission, the District has no obligation to repay the School Facilities loan, as long as, the District's assessed values remain below the median. Due to the District's current ranking of 554 and the median being 306, the likelihood of future repayment requirements are remote. However, in any year in which the District's assessed values rise above the median half of the levy proceeds would be paid to the State to retire the loan. Any unpaid balance at the end of 23 years will be forgiven.

The School District's voted legal debt margin was \$3,757,630 with an unvoted debt margin of \$79,140 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	65,000	195,818	260,818
2001	70,000	192,710	262,710
2002	80,000	189,145	269,145
2003	85,000	185,143	270,143
2004	90,000	180,810	270,810
2005-2019	2,975,000	1,589,573	4,564,573
Total	<u>\$3,365,000</u>	<u>\$2,533,199</u>	<u>\$5,898,199</u>

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$106,219	\$0
Special Revenue Fund:		
Title I	0	1,641
Enterprise Fund:		
Food Service	0	104,578
Total All Funds	<u>\$106,219</u>	<u>\$106,219</u>

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
J.A. Croson Construction	High School and Elementary School Construction	\$21,874
L.T. Mandeville Company and J.A. Croson	High School and Elementary School Construction	32,731

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Belmont-Harrison Joint Vocational School* - The Belmont-Harrison Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. During fiscal year 1999, the School District made no contributions to the Joint Vocational School District. To obtain financial information write to the Belmont-Harrison Joint Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

*Ohio Mid Eastern Regional Educational Service Agency* - The Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952.

**NOTE 18 - PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Claims Servicing Pool**

*Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

**NOTE 19 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,816,705 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$15,262,035 as a grant under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

Union Local School District, Ohio  
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The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<b>Budget Reserves</b>	<b>Textbooks</b>	<b>Capital Acquisition</b>	<b>Totals</b>
Set-aside balance, June 30, 1998	\$45,054	\$0	\$0	\$45,054
Current year set-aside requirement	\$52,667	105,334	105,334	263,335
Current Year Offsets	0	(22,978)	(573,682)	(596,660)
Qualifying Expenditures	0	(185,094)	(94,304)	(279,398)
<b>Total</b>	<b>\$97,721</b>	<b>(\$102,738)</b>	<b>(\$562,652)</b>	<b>(\$567,669)</b>
Cash Balance Carried Forward to FY2000 and Restricted Assets FY 1999	\$97,721	\$0	\$0	\$97,721

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

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

**NOTE 22 - YEAR 2000**

The Year 2000 issue is a result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Union Local School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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financial reporting, payroll and employee benefits, educational statistical reporting (through the State's Education Management Information System (EMIS)), and various programs utilized on District desktop computers.

The financial reporting and payroll systems are handled by an external organization (OME-RESA). OME-RESA is responsible for remediating these systems. OME-RESA reports that it has tested, validated, and remediated the Year 2000 issue. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Belmont County collects property taxes for distribution to the District. Belmont County is responsible for remediating its tax collection system.

The District's debt is currently being serviced by Wesbanco. Wesbanco is responsible for remediating its computer system.

The District has utilizes an outside company, Landis-Grye-Stanfis to provide temperature control services in the District's two buildings. As of the date of this report, the District has received no information concerning the vendor's compliance relating to the Year 2000

In addition, the District's internal desktop computers have been remediated by the District.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the School District is or will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

Union Local School District, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Federal Grantor/Pass-Through Grantor/Title Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. Department of Agriculture</u>						
<i>Passed-Through State Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	10.550	046011-99	\$0	\$46,559	\$0	\$29,658
School Breakfast Program	10.553	046011-05-PU-98	10,978	0	10,978	0
	10.553	046011-05-PU-99	15,136	0	15,136	0
Total School Breakfast Program			26,114	0	26,114	0
National School Lunch Program	10.555	046011-03-PU-98	9,906	0	9,906	0
	10.555	046011-04-PU-98	39,570	0	39,570	0
	10.555	046011-03-PU-99	19,120	0	19,120	0
	10.555	046011-04-PU-99	88,381	0	88,381	0
Total National School Lunch Program			156,977	0	156,977	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			183,091	46,559	183,091	29,658
<u>U.S. Department of Labor</u>						
<i>Passed-Through State Department of Education:</i>						
Employment Services and Job Training Pilot and Demonstration Program	17.249	046011-WK-BE-99	5,000	0	0	0
<u>U.S. Department of Education</u>						
<i>Passed-Through State Department of Education:</i>						
Title I, Grants to Local Educational Agencies	84.010	046011-C1-S1-96	0	0	308	0
	84.010	046011-C1-S1-97	0	0	823	0
	84.010	046011-C1-S1-98	107,659	0	122,422	0
	84.010	046011-C1-S1-98C	35,956	0	52,611	0
	84.010	046011-C1-S1-99	258,200	0	257,027	0
Total Title I, Grants to Local Educational Agencies			401,815	0	433,791	0
Title VI-B, Special Education Grants to States for Education of Handicapped Children	84.027	046011-6B-SF-97	0	0	226	0
	84.027	046011-6B-SF-98	14,818	0	8,043	0
	84.027	046011-6B-SF-99	79,588	0	72,027	0
Total Title VI-B, Special Education Grants to States for Education of Handicapped Children			94,406	0	80,296	0
Goals 2000 - State and Local Education Systematic Improvement Grant	84.276	046011-G2-S1-97	0	0	10,049	0
	84.276	046011-G2-S1-98	0	0	8,738	0
Total Goals 2000 - State and Local Systematic Improvement Grant			0	0	18,787	0
Title VI, Innovative Education Program Strategies	84.298	046011-C2-S1-97	0	0	1,338	0
	84.298	046011-C2-S1-98	0	0	696	0
	84.298	046011-C2-S1-99	6,108	0	1,937	0
Total Title VI, Innovative Education Program Strategies			6,108	0	3,371	0
Total U.S. Department of Education			507,329	0	536,245	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$690,420</b>	<b>\$46,559</b>	<b>\$719,336</b>	<b>\$29,658</b>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair marked value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-11007-001 and 1999-11007-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 17, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 17, 1999.

Union Local School District  
Belmont County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro  
Auditor of State

December 17, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759

To the Board of Education:

**Compliance**

We have audited the compliance of the Union Local School District, Belmont County, Ohio, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Union Local School District

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a circular stamp or seal that is partially obscured by the signature.

**Jim Petro**  
Auditor of State

December 17, 1999

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	1999-11007-001
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Ohio Revised Code Section 5705.39 states in part that the total appropriation from each fund should not exceed the total estimated revenue.

The following is a list of funds which had appropriations in excess of estimated revenue and the amount by which estimated revenues were exceeded:

<b>Special Revenue Funds:</b>	
OACHE Grant	\$ 6
Disadvantage Pupil Impact Aid	22,710
Title 1	126,692
<b>Capital Projects Funds:</b>	
Emergency School Repairs	5,981
Tech Equity	22,304
<b>Enterprise Fund:</b>	
Uniform Schools Supplies	7,425

The following funds had appropriations in excess of estimated revenue throughout the year:

<b>Capital Projects Fund:</b>	
Classroom Facilities	\$538,701
<b>Enterprise Fund:</b>	
Food Service Fund	138,218

We recommend the School District review estimated revenue prior to adopting or amending appropriations.

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	1999-11007-002
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Ohio Revised Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations at the legal level of control:

General Fund:

Regular Instruction	
Fringe Benefits	\$32,625
Other	898
Special Instruction	
Fringe Benefits	4,674
Vocational Instruction	
Fringe Benefits	1,750
Support Services-Instructional	
Fringe Benefits	2,610
Support Services-Fiscal	
Fringe Benefits	2,828
Support Services-Operations and Maintenance	
Fringe Benefits	4,647
Support Services-Pupil Transportation	
Fringe Benefits	3,039
Extra Curricular Activities	
Fringe Benefits	621
Special Revenue Funds:	
Professional Development Fund	
Regular Instruction	
Fringe Benefits	1,719
Schoolnet Professional Development Fund	
Support Service-Instructional Staff	
Fringe Benefits	18
Internal Service Fund	
Self Insurance Fund	
Operating Expenses	
Fringe Benefits	47

We recommend the Treasurer periodically review the budgetary reports to ensure that expenditures do not exceed appropriations.

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**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 § .315 (b)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
1998-11007-001	Ohio Rev. Code Section 149.351(A) - Two of the School District's collection points did not retain tally sheets to support the lunchroom meals served and a la carte sales	Yes	Finding No Longer Valid
1998-11007-002	Ohio Rev. Code Section 5705.39 - The District had appropriations in excess of estimated revenue	No	Not Corrected. The District had appropriations in excess of estimated revenue.
1998-11007-003	Ohio Rev. Code Section 5705.41(B) - The District had expenditures in excess of appropriations	No	Not Corrected. The District expended more than what was appropriated.

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**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-11007-001	The School District Treasurer will review budgetary reports periodically to ensure appropriations will not exceed estimated revenue throughout the fiscal year.	June 30, 2000	Shawn Miller, District Treasurer
1999-11007-002	The School District Treasurer will review budgetary reports periodically to ensure expenditures do not exceed appropriations throughout the fiscal year.	June 30, 2000	Shawn Miller, District Treasurer



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UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*  
Clerk of the Bureau

Date: MAR 16 2000