

---

**NORTH UNION LOCAL SCHOOL DISTRICT  
RICHWOOD, OHIO  
FINANCIAL STATEMENTS  
JUNE 30, 1999**

---



**NORTH UNION LOCAL SCHOOL DISTRICT  
RICHWOOD, OHIO  
FINANCIAL STATEMENTS  
JUNE 30, 1999**

**PREPARED BY  
TREASURER'S DEPARTMENT  
SCOTT MARUNIAK, TREASURER**



HOLBROOK & MANTER, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**NORTH UNION LOCAL SCHOOL DISTRICT  
RICHWOOD, OHIO  
FINANCIAL STATEMENTS  
JUNE 30, 1999**

**PREPARED BY  
TREASURER'S DEPARTMENT  
SCOTT MARUNIAK, TREASURER**

NORTH UNION LOCAL SCHOOL DISTRICT  
GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

**INTRODUCTORY SECTION**

List of Principle Officials .....	ii
Organizational Chart .....	iii
Independent Auditor's Report .....	iv-v

**FINANCIAL SECTION**

General Purpose Financial Statements;-	
Combined Balance Sheet - All Fund Types and Account Groups .....	1-2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds .....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Expendable Trust - Funds .....	
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types .....	7
Combined Statement of Cash Flows - All Proprietary Fund Types .....	8
Notes to the General Purpose Financial Statements .....	9-33
Schedule of Federal Awards Expenditures .....	34
Notes to Schedule of Federal Awards Receipts and Expenditures .....	35
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	36-37
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	38-39
Schedule of Findings and Questioned Costs.....	40
Schedule of Prior Audit Findings and Questioned Costs.....	41

NORTH UNION LOCAL BOARD OF EDUCATION

List of Principle Officials

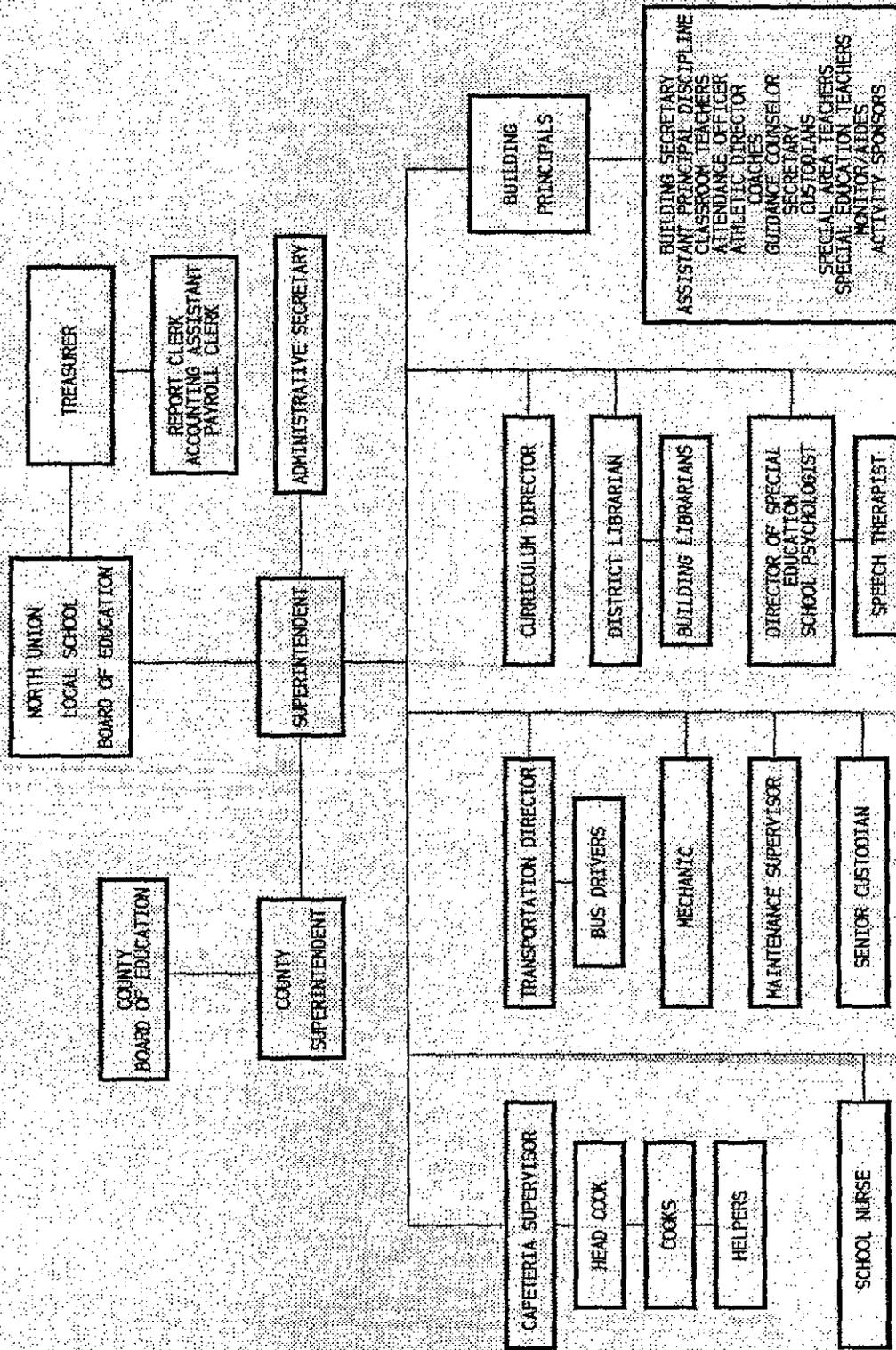
BOARD OF EDUCATION	
Mr. James Hall.....	President
Mr. Jim Monroe.....	Vice President
Mr. Jon Hall.....	Member
Mr. Dan Erwin.....	Member
Mr. Andy Middlesworth.....	Member

Treasurer

Scott Maruniak

ADMINISTRATION	
Dr. Carol Young.....	Superintendent
Mr. Eric Hoffman.....	High School Principal
Mr. Robert Schmidt.....	High School Assistant Principal
Mrs. Diana Martin.....	Middle School Principal
Mr. James Inskeep.....	Claibourne Elementary Principal
Mr. William Stoner.....	Jackson Elementary Principal
Mr. William Stoner.....	Leesburg Elementary Principal

# ORGANIZATIONAL CHART





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398

Board of Education  
North Union Local School District  
Union County  
Richwood, Ohio 43344

We have reviewed the Independent Auditor's Report of the North Union Local School District, Union County, prepared by Holbrook & Manter, LLP, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North Union Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO  
Auditor of State

January 3, 2000



## INDEPENDENT AUDITOR'S REPORT

Board of Education  
North Union Local School District  
Union County  
Richwood, Ohio 43344

We have audited the accompanying general-purpose financial statements of North Union Local 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 North Union Local School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as described in the following paragraph, 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.

Government Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. North Union Local School District has included such disclosures in Note 20. Because of the unprecedented nature of the year 2000 issue, its effects on the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support North Union Local District's disclosures with respect to the year 2000 issue made in Note 20. Further, we do not provide assurance that North Union Local School District is or will be year 2000 ready, that North Union Local School District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which North Union Local School District does business will be year 2000 ready.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been determined had we been able to examine sufficient evidence supporting the Year 2000 disclosures, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of North Union Local School District as of June 30, 1999, and the results of operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

iv

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
OHIO SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 1999 on our consideration of North Union Local 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 taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations, and is not a required part of the general-purpose financial statements of North Union Local School District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Holbrook & Mante, LLP*

Certified Public Accountants

November 15, 1999  
Marion, Ohio

NORTH UNION LOCAL SCHOOL DISTRICT  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FIDUCIARY FUND TYPES</u>			<u>ACCOUNT GROUPS</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>ENTERPRISE</u>	<u>TRUST AND AGENCY</u>	<u>GENERAL</u>	<u>LONG TERM DEBT</u>	<u>(MEMO) (ONLY)</u>	
<b>ASSETS AND OTHER DEBITS:-</b>										
Equity in pooled cash and investments	\$ 3,296,347	\$ 253,906	\$ 0	\$ 726,914	\$ 36,623	\$ 139,439	\$ 0	\$ 0	\$ 4,453,229	
Cash in segregated account	0	0	16,484	0	0	0	0	0	16,484	
Restricted assets	112,936	0	0	0	0	0	0	0	112,936	
Taxes receivable	3,145,104	0	0	97,094	0	0	0	0	3,242,198	
Interfund receivables	30,164	0	0	0	0	0	0	0	30,164	
Due from other funds	0	0	0	0	0	3,708	0	0	3,708	
Intergovernment receivables	400	0	0	0	0	0	0	0	400	
Accounts receivable	0	236	0	0	5,598	45	0	0	5,878	
Inventory	0	0	0	0	941	0	0	0	941	
Inventory for resale	0	0	0	0	11,566	0	0	0	11,566	
Property, plant and equipment	0	0	0	0	211,504	0	7,486,757	0	7,698,261	
Accumulated depreciation, where applicable	0	0	0	0	( 118,721)	0	0	0	( 118,721)	
Amount to be provided for retirement of General Long Term Debt	0	0	0	0	0	0	0	512,708	512,708	
<b>Total assets and other debits</b>	<b>\$ 6,584,951</b>	<b>\$ 254,141</b>	<b>\$ 16,484</b>	<b>\$ 824,008</b>	<b>\$ 147,510</b>	<b>\$ 143,192</b>	<b>\$ 7,486,757</b>	<b>\$ 512,708</b>	<b>\$ 15,969,751</b>	

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>		<u>ACCOUNT GROUPS</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>ENTERPRISE</u>	<u>TRUST AND AGENCY</u>	<u>GENERAL ASSETS</u>	<u>LONG TERM DEBT</u>	<u>1999</u>	<u>(MEMO) (ONLY)</u>	
<b>LIABILITIES:-</b>											
Interfund payables	\$ 0	\$ 1,729	\$ 0	\$ 20,926	\$ 3,629	\$ 3,880	\$ 0	\$ 0	\$ 30,164		
Due to other funds	3,473	126	0	0	109	0	0	0	3,708		
Intergovernmental payables	109,485	8,257	0	0	10,970	38,788	0	71,027	238,527		
Matured bonds payable	0	0	16,484	0	0	0	0	0	16,484		
Accounts payable	131,905	28,815	0	10,947	24,641	2,763	0	0	199,071		
Accrued salaries and benefits	616,102	20,743	0	0	20,395	0	0	0	657,240		
Deferred revenue	2,596,270	0	0	90,994	4,565	0	0	0	2,691,829		
Due to others	0	0	0	0	0	48,026	0	0	48,026		
Compensated absences payable	13,736	0	0	0	6,572	0	0	441,681	461,989		
<b>Total liabilities</b>	<b>3,470,971</b>	<b>59,670</b>	<b>16,484</b>	<b>122,867</b>	<b>70,881</b>	<b>93,457</b>	<b>0</b>	<b>512,708</b>	<b>4,347,038</b>		
<b>FUND EQUITY AND OTHER CREDITS:-</b>											
Investment in General Fixed Assets	0	0	0	0	0	0	7,486,747	0	7,486,757		
Retained earnings	0	0	0	0	76,629	0	0	0	76,629		
<b>Fund balances:-</b>											
Reserved for budget stabilization	112,936	0	0	0	0	0	0	0	112,936		
Reserved for encumbrances	720,325	71,792	0	59,315	0	0	0	0	851,432		
Reserved for property taxes	172,900	0	0	6,100	0	0	0	0	179,000		
Unreserved fund balances	2,107,819	122,679	0	635,726	0	49,735	0	0	2,915,959		
<b>Total fund balances</b>	<b>3,113,980</b>	<b>194,471</b>	<b>0</b>	<b>701,141</b>	<b>0</b>	<b>49,735</b>	<b>0</b>	<b>0</b>	<b>4,059,327</b>		
<b>Total fund balances/retained earnings and other credits</b>	<b>3,113,980</b>	<b>194,471</b>	<b>0</b>	<b>701,141</b>	<b>76,629</b>	<b>49,735</b>	<b>7,486,757</b>	<b>0</b>	<b>11,622,713</b>		
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 6,584,951</b>	<b>\$ 254,141</b>	<b>\$ 16,484</b>	<b>\$ 824,008</b>	<b>\$ 147,510</b>	<b>\$ 143,192</b>	<b>\$ 7,486,757</b>	<b>\$ 512,708</b>	<b>\$ 15,969,751</b>		

See Accompanying Notes to the General Purpose Financial Statements.

**NORTH UNION LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTALS (MEMO) ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	EXPENDABLE TRUST	
<b>REVENUES:-</b>						
Revenue from local sources:-						
Taxes	\$3,781,947	\$ 0	\$ 38,106	\$ 53,633	\$ 0	\$ 3,873,686
Earnings on investments	231,050	0	0	0	1,658	232,708
Extracurricular activities	0	120,214	0	0	0	120,214
Classroom materials & fees	18,082	0	0	0	0	18,082
Miscellaneous	5,178	14,104	0	0	46,439	65,721
Revenue from state sources:-						
Unrestricted grants-in-aid	4,164,494	1,656	4,861	6,979	0	4,177,990
Restricted grants-in-aid	0	265,358	0	160,416	0	425,774
Revenue for/on behalf of District	9,997	0	0	0	0	9,997
Revenue from federal sources:-						
Restricted grants-in-aid	0	204,888	0	0	0	204,888
Total revenue	<u>8,210,748</u>	<u>606,220</u>	<u>42,967</u>	<u>221,028</u>	<u>48,097</u>	<u>9,129,060</u>
<b>EXPENDITURES:-</b>						
Instruction:-						
Regular instruction	3,273,087	160,960	0	113,673	0	3,547,720
Special instruction	458,375	195,298	0	0	0	653,673
Vocational instruction	350,609	0	0	0	0	350,609
Other Instruction	222,069	0	0	0	0	222,069
Supporting services:-						
Supporting services - pupils	200,908	15,381	0	0	0	216,289
Supporting services - instructional staff	223,965	128,799	0	0	235	352,999
Supporting services - Board of Education	52,099	0	0	0	0	52,099
Supporting services - Administration	934,372	5,130	718	17,006	3,839	961,065
Fiscal services	199,131	0	138	917	0	200,186
Operation & maintenance - plant	632,895	0	0	4,960	21	637,876
Supporting services - pupil transportation	454,175	707	0	0	0	454,882
Supporting services - central	1,085	14,576	0	0	0	15,661
Operation of non-instructional services:-						
Food service operation	0	240	0	0	0	240
Community services	0	11,642	0	0	0	11,642
Extracurricular activities:-						
Academic & subject oriented	14,233	5,221	0	0	1,054	20,508
Occupation oriented activities	0	1,728	0	0	0	1,728
Sports oriented	106,818	69,649	0	0	0	176,467
Co-curricular activities	0	0	0	0	0	0
Capital outlay:-						
Other facility acquisition & construction	90,000	0	0	449,432	0	539,432
Total expenditures	<u>7,213,821</u>	<u>609,331</u>	<u>856</u>	<u>585,988</u>	<u>5,149</u>	<u>8,415,145</u>
Excess (deficiency) of revenues over (under) expenditures	996,927	( 3,111)	42,111	( 364,960)	42,948	713,915
Other financing sources and uses:-						
Other sources	42	0	0	0	0	42
Transfers-in	0	0	0	545,387	0	545,387
Transfers-out	( 512,283)	0	( 45,387)	0	0	( 557,670)
Net other financial sources and uses	<u>( 512,241)</u>	<u>0</u>	<u>( 45,387)</u>	<u>545,387</u>	<u>0</u>	<u>( 12,241)</u>
Excess (deficiency) of revenue receipts and other sources over (under) expenditure disbursement and other uses	484,686	( 3,111)	( 3,276)	180,427	42,948	701,674
Beginning fund balance	2,629,294	197,582	3,276	520,714	6,787	3,357,653
Ending fund balance	<u>\$ 3,113,980</u>	<u>\$ 194,471</u>	<u>\$ 0</u>	<u>\$ 701,141</u>	<u>\$ 49,735</u>	<u>\$ 4,059,327</u>

See Accompanying Notes to the General Purpose Financial Statements.

**NORTH UNION LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE UNFAVORABLE
<b>REVENUES:-</b>						
Taxes	\$ 3,431,819	\$ 3,774,695	\$ 342,876	\$ 0	\$ 0	\$ 0
Tuition	450	1,800	1,350	0	0	0
Earnings on investments	103,708	231,050	127,342	0	0	0
Extracurricular activities	0	0	0	100,000	122,532	22,532
Classroom materials & fees	7,638	18,134	10,496	0	0	0
Miscellaneous	239	3,409	3,170	12,000	14,104	2,104
State unrestricted grants-in-aid	3,924,336	4,164,094	239,758	0	1,656	1,656
State restricted grants-in-aid	0	0	0	215,000	265,358	50,358
Revenue for/on behalf of District	11,170	9,997	( 1,173)	0	0	0
Federal restricted grants-in-aid	0	0	0	229,000	229,513	513
Total revenue	<u>7,479,360</u>	<u>8,203,179</u>	<u>723,819</u>	<u>556,000</u>	<u>633,163</u>	<u>77,163</u>
<b>EXPENDITURES:-</b>						
Regular instruction	3,453,183	3,452,668	515	239,021	203,878	35,143
Special instruction	456,872	456,864	8	246,241	196,551	49,690
Vocational instruction	358,063	358,013	50	0	0	0
Other instruction	222,069	222,069	0	0	0	0
Support services - pupils	197,774	197,774	0	31,598	17,492	14,106
Support services - instructional staff	227,228	227,228	0	210,246	144,645	65,601
Support services - Board of Education	57,171	57,171	0	0	0	0
Support services - Administration	972,185	972,185	0	6,447	5,842	605
Fiscal services	206,669	206,669	0	0	0	0
Operation & maintenance - plant	969,243	969,243	0	0	0	0
Support services - transportation	580,926	582,243	( 1,317)	707	707	0
Support services - central	1,033	1,033	0	25,668	14,711	10,957
Food services and community operations	0	0	0	21,761	13,532	8,229
Academic & subject oriented	14,576	14,576	0	8,253	8,001	252
Occupation oriented activities	101	101	0	1,728	1,728	0
Sports oriented activity	108,111	108,111	0	80,662	80,653	9
Co-curricular activities	584	584	0	0	0	0
Facilities acquisition & construction	90,000	90,000	0	0	0	0
Total expenditures	<u>7,915,788</u>	<u>7,916,532</u>	<u>( 744)</u>	<u>872,332</u>	<u>687,740</u>	<u>184,592</u>
Excess of revenues over (under) expenditures	( 436,428)	286,647	723,075	( 316,332)	( 54,577)	261,755
<b>OTHER FINANCING SOURCES AND USES:-</b>						
Transfers-in	0	0	0	0	0	0
Advance-in	16,771	107,151	90,380	0	1,728	1,728
Refund of prior years expenditures	10,241	643	( 9,598)	0	0	0
Transfer-out	( 512,283)	( 512,283)	0	0	0	0
Advances-out	( 40,000)	( 20,329)	19,671	( 1,656)	( 1,656)	0
Total other sources (uses)	<u>( 525,271)</u>	<u>( 424,818)</u>	<u>100,453</u>	<u>( 1,656)</u>	<u>72</u>	<u>1,728</u>
Excess of revenue & other financing sources over (under) expenditures and other financing uses	( 961,699)	( 138,171)	823,528	( 317,988)	( 54,505)	263,483
Beginning fund balance	2,531,770	2,531,770	0	163,324	163,324	0
Prior year carry over encumbrances	<u>217,418</u>	<u>217,418</u>	<u>0</u>	<u>52,415</u>	<u>52,415</u>	<u>0</u>
Ending fund balance	<u>\$ 1,787,489</u>	<u>\$ 2,611,017</u>	<u>\$ 823,528</u>	<u>\$ ( 102,249)</u>	<u>\$ 161,234</u>	<u>\$ 263,483</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**NORTH UNION LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS - CONTINUED**  
**JUNE 30, 1999**

	<u>DEBT SERVICE FUND</u>			<u>CAPITAL PROJECT FUNDS</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:-						
Taxes	\$ 40,000	\$ 40,721	\$ 721	\$ 50,000	\$ 51,119	\$ 1,119
Tuition	0	0	0	0	0	0
Earnings on investment	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Classroom materials and fees	0	0	0	0	0	0
State unrestricted grants-in-aid	4,800	4,861	61	0	6,979	6,979
State restricted grants-in aid	0	0	0	160,000	160,416	416
Revenue for/on behalf o district	0	0	0	0	0	0
Federal restricted grants-in aid	0	0	0	0	0	0
Total revenue	<u>44,800</u>	<u>45,582</u>	<u>782</u>	<u>210,000</u>	<u>218,514</u>	<u>8,514</u>
EXPENDITURES:-						
Regular instruction	0	0	0	273,530	143,444	130,086
Special instruction	0	0	0	0	0	0
Vocational instruction	0	0	0	1,185	0	1,185
Other instruction	0	0	0	0	0	0
Support services - pupils	0	0	0	0	0	0
Support services - instructional staff	0	0	0	0	0	0
Support services - Board of Education	0	0	0	0	0	0
Support services - Administration	718	718	0	24,572	17,602	6,970
Fiscal services	138	138	0	917	917	0
Operation & maintenance - plant	0	0	0	14,968	14,968	0
Support services - transportation	0	0	0	0	0	0
Support services - central	0	0	0	0	0	0
Food services and community operations	0	0	0	0	0	0
Academic & subject oriented	0	0	0	0	0	0
Occupation oriented activities	0	0	0	0	0	0
Sports oriented activity	0	0	0	0	0	0
Co-curricular activities	0	0	0	0	0	0
Facilities acquisition & construction	0	0	0	547,042	518,363	28,679
Total expenditures	<u>856</u>	<u>856</u>	<u>0</u>	<u>862,214</u>	<u>695,294</u>	<u>166,920</u>
Excess of revenues over (under) expenditures	43,944	44,726	782	( 652,214)	( 476,780)	175,434
OTHER FINANCING SOURCES AND USES:-						
Transfers-in	0	0	0	0	545,387	545,387
Advances-in	0	0	0	0	20,927	20,927
Refund of prior years expenditures	0	0	0	0	0	0
Transfer-out	( 45,387)	( 45,387)	0	0	0	0
Advances-out	0	0	0	( 39)	( 39)	0
Total other sources (uses)	<u>( 45,387)</u>	<u>( 45,387)</u>	<u>0</u>	<u>( 39)</u>	<u>566,275</u>	<u>566,314</u>
Excess of revenue & other financing sources over (under) expenditures and other financing uses	( 1,443)	( 661)	782	( 652,253)	89,495	741,748
Beginning fund (deficit) balance	661	661	0	449,695	449,695	0
Prior year carry over encumbrances	0	0	0	117,650	117,650	0
Ending fund (deficit) balance	<u>\$ ( 782)</u>	<u>\$ 0</u>	<u>\$ 782</u>	<u>\$ ( 84,908)</u>	<u>\$ 656,840</u>	<u>\$ 741,748</u>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**NORTH UNION LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS - CONTINUED**  
**JUNE 30, 1999**

	<u>EXPENDABLE TRUST FUND</u>			<u>TOTALS (MEMORANDUM ONLY)</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:-</b>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 3,521,819	\$ 3,866,535	\$ 344,716
Tuition	0	0	0	450	1,800	1,350
Earnings on investments	1,000	1,658	658	104,708	232,708	128,000
Extracurricular activities	0	0	0	100,000	122,532	22,532
Classroom materials & fees	0	0	0	7,638	18,134	10,496
Miscellaneous	42,000	46,439	4,439	54,239	63,952	9,713
State unrestricted grants-in-aid	0	0	0	3,929,136	4,177,590	248,454
State restricted grants-in-aid	0	0	0	375,000	425,774	50,774
Revenue for/on behalf of District	0	0	0	11,170	9,997	( 1,173)
Federal restricted grants-in-aid	0	0	0	229,000	229,513	513
Total revenue	43,000	48,097	5,097	8,333,160	9,148,535	815,375
<b>EXPENDITURES:-</b>						
Regular instruction	0	0	0	3,965,734	3,799,990	165,744
Special instruction	0	0	0	703,113	653,415	49,698
Vocational instruction	0	0	0	359,248	358,013	1,235
Other instruction	0	0	0	222,069	222,069	0
Support services - pupils	0	0	0	229,372	215,266	14,106
Support services - instructional staff	235	235	0	437,709	372,108	65,601
Support services - Board of Education	0	0	0	57,171	57,171	0
Support services - Administration	5,515	3,839	1,676	1,009,437	1,000,186	9,251
Fiscal services	0	0	0	207,724	207,724	0
Operation & maintenance - plant	840	21	819	985,051	984,232	819
Support services - transportation	0	0	0	581,633	582,950	( 1,317)
Support services - central	0	0	0	26,701	15,744	10,957
Food services and community operations	0	0	0	21,761	13,532	8,229
Academic & subject oriented	2,454	1,054	1,400	25,283	23,631	1,652
Occupation oriented activity	0	0	0	1,829	1,829	0
Sports oriented activity	0	0	0	188,773	188,764	9
Co-curricular activities	0	0	0	584	584	0
Facilities acquisition & construction	0	0	0	637,042	608,363	28,679
Total expenditures	9,044	5,149	3,895	9,660,234	9,305,571	354,663
Excess of revenues over (under) expenditures	33,956	42,948	8992	(1,327,074)	( 157,036)	1,170,038
<b>OTHER FINANCING SOURCES (USES):-</b>						
Transfers-in	0	0	0	0	545,387	545,387
Advance-in	0	1,279	1,279	16,771	131,085	114,314
Refund of prior years expenditures	0	0	0	10,241	643	( 9,598)
Transfer-out	0	0	0	( 557,670)	( 557,670)	0
Advances-out	( 1,000)	( 1,000)	0	( 42,695)	( 23,024)	19,671
Total other sources (uses)	( 1,000)	279	1,279	( 573,353)	96,421	669,774
Excess of revenue & other financing sources over (under) expenditures and other financing uses	32,956	43,227	10,271	(1,900,427)	( 60,615)	1,839,812
Beginning fund balance	0	0	0	3,145,450	3,145,450	0
Prior year carry over encumbrances	0	0	0	387,483	387,483	0
Ending fund (deficit) balance	\$ 32,956	\$ 43,227	\$ 10,271	\$ 1,632,506	\$ 3,472,318	\$ 1,839,812

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999

	<u>ENTERPRISE FUNDS</u>
<b>OPERATING REVENUES:-</b>	
Food service	\$ 297,233
Miscellaneous	<u>24,459</u>
Total operating revenue	321,692
<b>OPERATING EXPENSES:-</b>	
Personal services - salary	129,251
Employee benefits	62,626
Purchased services	24,941
Supplies and materials	206,560
Depreciation	1,811
Other expenses	<u>764</u>
Total operating expenses	<u>425,953</u>
Operating loss	( 104,261)
<b>NON-OPERATING REVENUES:-</b>	
State unrestricted grants-in-aid	3,742
Federal unrestricted grants-in-aid	67,345
Federal restricted grants-in-aid	25,997
Other expense	<u>4,200</u>
Total non-operating revenue	101,284
Net loss	<u>( 2,977)</u>
Transfers in	<u>12,283</u>
Net income	9,306
Beginning retained earnings	<u>67,323</u>
Retained earnings at end of year	<u>\$ 76,629</u>

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 1999

	<u>ENTERPRISE FUNDS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>	
Operating (loss)	\$( 104,261)
Adjustments to reconcile operating (loss) to net cash provided by operating activities;--	
Depreciation	1,811
Net (increase) decrease in assets;-	
Accounts receivable	( 5,598)
Intergovernmental receivable	10,496
Inventory	4,484
Net increase (decrease) in liabilities;-	
Interfund payable	( 20,384)
Due to other funds	10
Intergovernmental payable	4,002
Accounts payable	23,660
Accrued wages and benefits	( 428)
Deferred revenue	( 470)
Compensated absences	1,347
Commodity expense related to non-cash grant	<u>25,997</u>
Net adjustments	<u>44,927</u>
Net cash used in operating activities	( 59,334)
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:-</b>	
Operating grants from state sources	3,742
Operating grants from federal sources	67,345
Miscellaneous	4,200
Transfers-in	<u>12,283</u>
Net cash provided by non-capital financing sources	87,570
<b>CASH FLOWS FROM CAPITAL FINANCING SOURCES:-</b>	
Acquisition of capital assets	<u>( 1,883)</u>
Net cash provided by capital financing sources	<u>( 1,883)</u>
Net increase in cash & cash equivalents	26,353
Cash and cash equivalents at beginning of year	<u>10,270</u>
Cash and cash equivalents at end of year	<u>\$ 36,623</u>

See Accompanying Notes to the General Purpose Financial Statements.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

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

**A. Reporting Entity**

The North Union Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Union Local School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the district.

Average daily membership (ADM) as of October 1, 1998, was 1,369. The District employed 10 administrative and supervisory personnel, 92 certified employees and 64 classified employees. North Union Local School District is supervised by the Delaware/Union County Board of Education, a separate entity.

North Union Local School District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of North Union Local School District over which North Union Local School District is financially accountable.

**B. Fund Accounting**

The 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

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

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

Proprietary Fund Types

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

Enterprise Funds - These funds are used to account for the operations 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District does not have any internal service funds at June 30, 1999.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District does not have any nonexpendable trust funds at June 30, 1999.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The following are the District's account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Obligations Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds 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 financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations 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 fund type operating statements present increases (e.g., revenues) and decreases (e.g., 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 all Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, entitlements, and accounts (student fees and rent).

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. 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; 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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable.

**D. Budget and Budgetary Accounting**

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 appropriation resolution are subject to amendments through 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 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 Union County Budget Commission for rate determination.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

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 must be 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 expenditures of the 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 with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does 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, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all 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 year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments". During the fiscal year all investments were limited to certificates of deposit, STAR Ohio and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund and Trust Funds during the fiscal year amounted to \$232,708.

F. Inventories

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. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, 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 District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program  
School Bus Funding Program

Capital Projects

School Net Funding  
Vocational Education Equipment Assistance Program  
Technology Equity Funding  
Power Up Technology  
Emergency School Building Repair Funding

Special Revenue Funds

Education Management Information Systems

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Non-Reimbursable Grants

- Post Secondary Vocational Education
- School Improvement Models
- Early Childhood Education Program
- Textbook/Instructional Subsidy
- Data Communication Grant
- Technology Equity Grant
- Job Training Partnership Act
- NDEA Title III
- Title VI-B
- Title I
- Chapter II
- Drug Free Schools
- Preschool Disabilities
- Miscellaneous Federal Grants

Reimbursable Grants

General Fund

- Driver Education Reimbursement
- School Bus Reimbursement

Special Revenue Funds

- Young Farmers

Proprietary Funds

- National School Lunch Program
- Special Milk Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the School District's operating revenue during the 1999 fiscal year.

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and Payables are classified as "due from other funds" or "due to other funds". Short-term Interfund loans are classified as "interfund receivables/payables". At June 30, 1999, the District had \$30,164 in interfund receivables/payables and \$3,708 in due to/due from other funds.

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 1999.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16.

Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation time when earned. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 debt account group.

In proprietary funds, compensated absences are expenses when earned. The entire amount of compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 1999, the District had no contributed capital.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

Q. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization and property taxes.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

R. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "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 changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

S. Estimates

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

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING:-**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING:-** (continued)

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

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types and Expendable Trust Funds

	<u>Governmental Fund Types</u>				
	General Fund	Special Revenue	Debt Service	Capital Projects	Trust Funds
GAAP Basis	\$ 484,686	\$( 3,111)	\$( 3,276)	\$ 180,427	\$ 42,948
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	( 7,569)	26,943	2,615	( 2,514)	0
Due to Expenditures:					
Net Adjustments to Expenditure	( 702,711)	( 78,409)	0	( 109,306)	0
Accruals					
Due to Other Sources & Uses	87,423	72	0	20,888	279
Budget Basis	<u>\$ (138,171)</u>	<u>\$( 54,505)</u>	<u>\$( 661)</u>	<u>\$ 89,495</u>	<u>\$ 43,227</u>

**NOTE 3 - LEGAL COMPLIANCE-BUDGETS:-**

Pursuant to Section 117.11(A) of the Revised Code, our auditor performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The auditor's recommendations and citations are included in a separate report.

**NOTE 4 - CASH AND INVESTMENTS:-**

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

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

Inactive deposits are public deposits 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.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 4 - CASH AND INVESTMENTS:-** (continued)

Protection of the 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 money 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;*
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 (STAROhio); and
7. *Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase 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 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.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 4 - CASH AND INVESTMENTS:-** (continued)

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 District's deposits was \$33,082, and the bank balance was \$41,484. The entire amount of the bank balance was covered by federal depository insurance.

Investments - The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the 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 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 District's name. STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying	Fair
	1	2	3	Amount	Value
Now Account	\$ 0	\$ 80,171	\$ 0	\$ 80,171	\$ 80,171
STAR Ohio				4,469,396	4,469,396
Total Investments				\$ 4,549,567	\$ 4,549,567

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, "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	Investments
GASB Statement No.9	\$ 4,566,165	
Restricted Assets		
Investments:		
STAR Ohio	(4,469,396)	\$ 4,469,396
Now Account	( 80,171)	80,171
Total	16,598	4,549,567
Cash in Segregated Account	16,484	
Total Cash and Cash Equivalents	\$ 33,082	\$ 4,549,567

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 5 - PROPERTY TAX AND INCOME TAX:-**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the North Union Local School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1997. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are payable annually or semi-annually with the first payment due April 30 and the remainder payable by October.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Union and Delaware County Treasurers collect property tax on behalf of the District. The Union and Delaware County Auditors remit to the North Union Local School District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and December for personal property taxes.

The full tax rate at the fiscal year ending June 30, 1999, for operations was \$35.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 3,888,670
Real Property-Residential/Agricultural	82,218,860
Personal Property-General	3,726,790
Personal Property-Public Utilities	<u>10,451,930</u>
Total Assessed Value	<u>\$100,286,250</u>

**Income Tax:-**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employees of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distribution to the District after withholding amounts for administrative and estimated refunds. Income tax revenue is credited to the General Fund.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 6 - RECEIVABLES:-**

Receivables at June 30, 1999, consisted of taxes, accounts, and intergovernmental grants and entitlements. 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 guarantee of Federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Drivers Education	\$ 400
Grand total	<u>\$ 400</u>

**NOTE 7 - DEFINED BENEFIT PENSION PLANS:-**

**A. School Employees Retirement System**

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$157,848, \$156,132 and \$150,492, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$104,845 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 District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 7 - DEFINED BENEFIT PENSION PLANS:-** (continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$505,584, \$466,200 and \$495,516, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$90,828 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 8 - POSTEMPLOYMENT BENEFITS:-**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 funded on a pay as you go basis.

The State Teachers Retirement 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 health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998 this allocation was increased to 3.5 percent. For the District, this amount equaled \$126,396 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). 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, 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.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 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 has been established at \$12,400. 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.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 8 - POSTEMPLOYMENT BENEFITS:-** (continued)

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, 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 (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including care benefits, including the surcharge, equaled \$56,147 during the 1999 fiscal year.

**NOTE 9 - COMPENSATED ABSENCES:-**

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. Only the Superintendent and twelve-month, classified employees earn ten to twenty days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	10 Days
5 or more Years	15 Days
10 or more Years	20 Days

The following table represents the limit placed on employee vacation time based on the years of service to the district:

Length of Service	Limit of Accrued Vacation
0 Years	10 Days
1-5 Years	20 Days
6-10 Years	25 Days
10+ Years	30 Days

**Vacation Pay:** A full-time employee may be paid for unused vacation days, not to exceed ten (10) days. This may be done no more than once a year, and requires the approval of the Superintendent. Payment for unused vacation time shall be made at the employee's current rate of pay. Both the Superintendent and Treasurer earn 20 days of vacation per year, and have an accrued limit of 30 days.

**Sick Leave:** Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 9 - COMPENSATED ABSENCES:-** (continued)

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth (1/4) of the accumulated sick leave days up to a maximum of thirty (30) days (i.e., one-fourth (1/4) of one hundred twenty (120) days) multiplied times the per diem rate at the time of retirement. In addition, the Board will provide the following bonus retirement pay for those long-term employees who have accumulated more than the one hundred twenty (120) days of sick leave. A bonus retirement based on years of service to North Union Local Schools will be granted as follows:

<u>Length of Service</u>	<u>Bonus Days Paid</u>
10 Years	1 Day
15 Years	2 Days
20 Years	3 Days
25 Years	4 Days
30 Years	5 Days

**NOTE 10. INTERFUND TRANSACTIONS:-**

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 30,164	
Special Revenue Funds		\$ 1,729
Capital Projects Funds		20,926
Enterprise Funds		3,629
Trust Funds		1,279
Agency Funds	0	2,601
	<u>\$ 30,164</u>	<u>\$ 30,164</u>

	<u>Due From</u>	<u>Due To</u>
General Fund		\$ 3,473
Special Revenue Funds		126
Enterprise Funds		109
Agency Funds	\$ 3,708	0
	<u>\$ 3,708</u>	<u>\$ 3,708</u>

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 11 - CONTINGENCIES:-**

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 1999.

**NOTE 12 - GENERAL LONG-TERM DEBT:-**

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$ 78,036	\$ 71,027	\$ 78,036	\$ 71,027
Compensated Absences Payable	<u>411,159</u>	<u>441,681</u>	<u>411,159</u>	<u>441,681</u>
	<u>\$ 489,195</u>	<u>\$ 512,708</u>	<u>\$ 489,195</u>	<u>\$ 512,708</u>

The Ohio Revised Code 133.06 stipulates that the principal amount of a District's unvoted debt for energy conservation measures may not exceed nine tenths of one percent of its tax valuation, and the total net unvoted debt of the district shall not exceed one percent of the district's tax valuation. The District's energy conservation notes stand within these statutory limitations as prescribed by ORC 133.06.

**NOTE 13- FIXED ASSETS:-**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999

Furniture and Equipment	\$ 211,504
Less Accumulated Depreciation	( 118,721)
Net Fixed Assets	<u>\$ 92,783</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 68,651	\$ 241,300	\$ 0	\$ 309,951
Buildings	3,301,825	0	0	3,301,825
Furniture and Equipment	2,833,296	188,841	43,731	2,978,406
Vehicles	771,969	124,606	0	896,575
Total General Fixed Assets	<u>\$ 6,975,741</u>	<u>\$ 554,747</u>	<u>\$ 43,731</u>	<u>\$ 7,486,757</u>

There was no significant construction in progress at June 30, 1999.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 14 - RISK MANAGEMENT:-**

**General Liability:**

The District is exposed to various risks of loss related to torts, theft of , damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for employee liability which includes each board member, the district superintendent, and the district treasurer. Additionally, the district has commercial crime coverage of \$10,000.

The District maintains replacement cost insurance on buildings and contents in the amount \$19,624,320. Other property insurance includes \$107,433 for musical instrument, and related equipment and accessories.

**Workers Compensation:**

The District participates in the Workers' Compensation Program provided by the State of Ohio. The District participates in a Workers' Compensation pool through the Ohio School Board Association for rating program.

**Health Insurance:**

The District has established limited risk health, dental, and life insurance programs for its employees. The District is a member of the Champaign, Delaware, Marion, and Union County Insurance Consortium.

CORE Source, a third party administrator, services all claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$75,000 and aggregate claims in excess of \$4,292,738.

**NOTE 15- JOINTLY GOVERNED ORGANIZATIONS:-**

Metropolitan Education Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. North Union School District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer service to the District.

**NORTH UNION LOCAL SCHOOL DISTRICT**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 16 - SEGMENTS OF ENTERPRISE ACTIVITIES:-**

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999 are as follows:

	Lunchroom Fund	Uniform Supply Fund	Adult Learning Funds	School Age Child Fund	Total
Operating Revenues	\$ 297,233	\$ 0	\$ 400	\$ 24,059	\$ 321,692
Operating Expenses:					
Depreciation	( 1,811)	0	0	0	( 1,811)
Other Expenses	(401,364)	( 593)	( 193)	( 21,992)	(424,142)
Total Operating Expenses	(403,175)	( 593)	( 193)	( 21,992)	(425,953)
Operating Income (Loss)	(105,942)	( 593)	207	2,067	(104,261)
Non Operating Revenues and Expenses:					
Grants	97,084	0	0	0	97,084
Transfers in	0	12,283	0	0	12,283
Miscellaneous	0	0	0	4,200	4,200
Net Income (Loss)	<u>\$ ( 8,858)</u>	<u>\$ 11,690</u>	<u>\$ 207</u>	<u>\$ 6,267</u>	<u>\$ 9,306</u>
Net Working Capital	<u>\$ (34,644)</u>	<u>\$ 8,039</u>	<u>\$ 207</u>	<u>\$ 14,809</u>	<u>\$ (11,589)</u>
Fixed Asset Additions	\$ 1,883	\$ 0	\$ 0	\$ 0	\$ 1,883
Total Assets	<u>\$ 123,255</u>	<u>\$ 8,039</u>	<u>\$ 207</u>	<u>\$ 16,009</u>	<u>\$ 147,510</u>
Encumbrances	<u>\$ 23,872</u>	<u>\$ 0</u>	<u>\$ 45</u>	<u>\$ 224</u>	<u>\$ 24,141</u>
Total Fund Equity	<u>\$ 53,574</u>	<u>\$ 8,039</u>	<u>\$ 207</u>	<u>\$ 14,809</u>	<u>\$ 76,629</u>

**NOTE 17 FUND DEFICITS:-**

Fund balances and retained earnings at June 30, 1999 included the following individual deficits:

Special Revenue: Miscellaneous State Grants

The special revenue fund deficits are due primarily to the adjustments for accrued liabilities. The agency fund deficits are due to interfund payable liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 18- SCHOOL FUNDING 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 this District. During the fiscal year ended June 30, 1999, the District received \$3,860,296 of school foundation support for its general fund.

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 September 30, 1999, 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 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 19 - STATUTORY RESERVES:-**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$ 40,963	\$ 40,963
Current year set-aside requirement	143,947	143,947	71,973	359,867
Current year offsets	0	0	0	0
Qualifying disbursements	( 209,373)	( 789,001)	0	( 998,374)
Total	\$( 65,426)	\$( 645,054)	\$ 112,936	\$( 597,544)
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,936</u>	
Amount restricted for budget stabilization				\$ 112,936
Total restricted assets				<u>\$ 112,936</u>

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

**NOTE 20 - YEAR 2000 ISSUE:-**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has buildings with power systems which have extensive efficiency utilization measures within the systems. Vendor compliance assurances are being requested.

Property Tax billing, collection and remittance for the District is handled by Union County and Delaware Counties. The Counties are responsible for remediating this system, and are solely responsible for any associated costs.

The District utilizes Metropolitan Education Council, an external service organization, for its accounting and financial reporting. Metropolitan Education Council is responsible for remediating these systems, and is solely responsible for any associated costs. The District utilizes Snyder Software for its financial reporting, payroll and employee benefits. Snyder Software is responsible for remediating these systems, and is solely responsible for any associated costs.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. 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, and is solely responsible for any associated costs.

Remediation and validation and testing were yet to be completed as of June 30, 1999 on power systems. The District is currently validating and testing the power systems.

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

NORTH UNION LOCAL SCHOOL DISTRICT  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>NON-CASH DISBURSE- MENTS</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>					
<i>Pass-Through Ohio Department of Education</i>					
Nutrition Cluster; Food Distribution Program	10.550	\$ 0	\$ 25,527	\$ 0	\$ 33,740
National School Lunch Program	10.555	<u>77,335</u>	<u>0</u>	<u>77,335</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>77,335</u>	<u>25,527</u>	<u>77,335</u>	<u>33,740</u>
<u>U.S. DEPARTMENT OF EDUCATION:-</u>					
<i>Pass-Through Ohio Department of Education</i>					
Special Education Grants to States (IDEA Part B)	84.027	83,833	0	85,493	0
Grants to Local Educational Agencies (ESEA Title I)	84.010	133,046	0	128,021	0
Innovative Educational Program Strategies	82.298	5,243	0	4,927	0
Preschool Disability	84.173	4,056	0	0	0
Drug Free Schools	84.186	7,392	0	6,997	0
Eisenhower Professional Development	84.281	5,712	0	75	0
Goals 2000	84.276	<u>135,558</u>	<u>0</u>	<u>92,774</u>	<u>0</u>
Total Department of Education		<u>374,840</u>	<u>0</u>	<u>318,287</u>	<u>0</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:-</u>					
Learn & Serve America	94.004	<u>15,000</u>	<u>0</u>	<u>4,710</u>	<u>0</u>
Total Corporation for National and Community Service		<u>15,000</u>	<u>0</u>	<u>4,710</u>	<u>0</u>
Total Federal Assistance		<u>\$ 467,175</u>	<u>\$ 25,527</u>	<u>\$ 400,332</u>	<u>\$ 33,740</u>

The accompanying notes are an integral part of this statement.

NORTH UNION LOCAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 1999

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES:-**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the "Schedule") summarizes activity of the 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 as the fair market 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.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
North Union Local School District  
Union County  
Richwood, Ohio 43344

We have audited the financial statements of North Union Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 15, 1999, which was qualified because of insufficient audit evidence exists to support North Union Local School District's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 North Union Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions with laws, regulation, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of North Union Local School District in a separate letter dated November 15, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North Union Local 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. However, we noted

certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect North Union Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 99-001 and 99-002.

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 in a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of North Union Local School District in a separate letter dated November 15, 1999.

This report is intended solely for the information and use of the Board of Education, management 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.

*Helbrook & Mante, LLP*

Certified Public Accountants

November 15, 1999  
Marion, Ohio



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

Board of Education  
North Union Local School District  
Union County  
Richwood, Ohio 43344

Compliance

We have audited the compliance of North Union Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

Internal Control Over Compliance

The management of the 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 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.

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 weaknesses 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 solely for the information and use of the Board of Education, management 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.

*Holbrook & Manton, LLP*

Certified Public Accountants

November 15, 1999  
Marion, Ohio

NORTH UNION LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1999

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

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Grants to Local Educational Agencies (ESEA Title I) CFDA 84.010 and Goals 2000 CFDA 84.276
Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B: all others
Low Risk Auditee?	No

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

Finding Number	99-001
----------------	--------

The District is in the validation and testing stage with computer systems or other electronic equipment critical to conducting operations not year 2000 compliant but reasonably expected to be 2000 compliant.

We recommend that the District move forward in their Year 2000 compliance plan and develop contingency plans for computer systems or other electronic equipment critical to conducting operations if they were to fail.

Finding Number	99-002
----------------	--------

A standard bank reconciliation was not prepared by the Treasurer for the payroll bank account.

This increases the possibility of payroll funds being diverted for personal use, although no such instances were noted.

We recommend that the Treasurer prepare a monthly bank reconciliation and investigate any discrepancies and make the necessary corrections to balance this account monthly to a zero balance.

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

NONE

NORTH UNION LOCAL SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1999

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED	EXPLANATION
98-001	Payroll bank Reconciliation	No	No corrective action taken. Treasurer is aware of finding, and is attempting to correct.
98-002	Y2K	No	Partially corrected. The District has determined which systems require remediation and are currently validating and testing systems.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

NORTH UNION LOCAL SCHOOL DISTRICT

UNION COUNTY

**CLERK'S CERTIFICATION**

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

By: *Susan Babbitt*

Date: JANUARY 13, 2000