



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups .....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Similar Fiduciary Fund Type .....	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – All Governmental Fund Types and Similar Fiduciary Fund Type .....	6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type .....	9
Combined Statement of Cash Flows – Proprietary Fund Type .....	10
Notes to the General Purpose Financial Statements.....	11
Schedule of Federal Awards Receipts and Expenditures.....	39
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	40
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	41
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	43
Schedule of Findings .....	45

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## REPORT OF INDEPENDENT ACCOUNTANTS

North Union Local School District  
Union County  
401 North Franklin Street  
Richwood, Ohio 43344-1032

To the Board of Education:

We have audited the accompanying general purpose financial statements of the North Union Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the North Union Local School District, Union County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**JIM PETRO**  
Auditor of State

November 15, 2002

**North Union Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Types Enterprise	Fund Types Trust and Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum) (Only)
<b>Assets and Other Debits:</b>									
Equity in Pooled Cash and Cash Equivalents	\$ 5,818,522	117,748	6,510	13,434,232	28,088	178,340	0	0	\$ 19,583,440
Cash in Segregated Account	0	0	16,484	0	0	0	0	0	16,484
Restricted Assets: Equity in Pooled Cash	21,464	0	0	0	0	0	0	0	21,464
Taxes Receivables	3,484,930	0	0	102,948	0	0	0	0	3,587,878
Interfund Receivables	500	0	0	0	0	0	0	0	500
Intergovernmental Receivables	181,806	0	0	6,628	0	0	0	0	188,434
Due from Other Funds	0	0	0	0	0	3,348	0	0	3,348
Accounts Receivable	26,463	2,788	0	2,185	52	0	0	0	31,488
Inventory	0	0	0	0	3,333	0	0	0	3,333
Inventory for Resale	0	0	0	0	13,349	0	0	0	13,349
Property, Plant, and Equipment	0	0	0	0	223,616	0	8,677,104	0	8,900,720
Accumulated Depreciation, Where Applicable	0	0	0	0	(116,162)	0	0	0	(116,162)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	7,795	7,795
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	13,938,475	13,938,475
<b>Total Assets and Other Debits</b>	<b>\$ 9,533,685</b>	<b>120,536</b>	<b>22,994</b>	<b>13,545,993</b>	<b>152,276</b>	<b>181,688</b>	<b>8,677,104</b>	<b>13,946,270</b>	<b>\$ 46,180,546</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**North Union Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups, Continued  
June 30, 2002**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Type Enterprise	Fund Type Trust and Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum Only)
<b>Liabilities:</b>									
Interfund Payables	\$ 0	0	0	0	0	500	0	0	\$ 500
Due to Other Funds	3,118	124	0	0	106	0	0	0	3,348
Intergovernmental Payables	142,185	1,727	0	0	26,633	51,860	0	77,014	299,419
Matured Bonds Payable	0	0	16,484	0	0	0	0	0	16,484
Accounts Payable	49,988	17,915	0	11,774	371	1,533	0	0	81,581
Accrued Salaries and Benefits	871,638	32,334	0	0	30,986	0	0	0	934,958
Deferred Revenue	2,662,993	0	0	87,826	1,795	0	0	0	2,752,614
Due to Others	0	0	0	0	0	64,879	0	0	64,879
Notes Payable	0	0	0	0	0	0	0	13,000,000	13,000,000
Loan Payable	0	0	0	0	0	0	0	465,000	465,000
Compensated Absences Payable	14,167	0	0	0	2,015	0	0	404,256	420,438
<b>Total Liabilities</b>	<b>3,744,089</b>	<b>52,100</b>	<b>16,484</b>	<b>99,600</b>	<b>61,906</b>	<b>118,772</b>	<b>0</b>	<b>13,946,270</b>	<b>18,039,221</b>
<b>Fund Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	8,677,104	0	8,677,104
Retained Earnings	0	0	0	0	90,370	0	0	0	90,370
<b>Fund Balances:</b>									
Reserved for Budget Stabilization	21,464	0	0	0	0	0	0	0	21,464
Reserved for Encumbrances	539,454	20,907	0	26,725	0	0	0	0	587,086
Reserved for Property Taxes	409,348	0	0	14,783	0	0	0	0	424,131
Unreserved Fund Balance	4,819,330	47,529	6,510	13,404,885	0	62,916	0	0	18,341,170
<b>Total Fund Balances</b>	<b>5,789,596</b>	<b>68,436</b>	<b>6,510</b>	<b>13,446,393</b>	<b>0</b>	<b>62,916</b>	<b>0</b>	<b>0</b>	<b>19,373,851</b>
<b>Total Fund Balances/Retained Earnings and Other</b>	<b>5,789,596</b>	<b>68,436</b>	<b>6,510</b>	<b>13,446,393</b>	<b>90,370</b>	<b>62,916</b>	<b>8,677,104</b>	<b>0</b>	<b>28,141,325</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 9,533,685</b>	<b>120,536</b>	<b>22,994</b>	<b>13,545,993</b>	<b>152,276</b>	<b>181,688</b>	<b>8,677,104</b>	<b>13,946,270</b>	<b>\$ 46,180,546</b>

See Accompanying Notes to the General Purpose Financial Statements.

**North Union Local School District**  
**Combined Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**all Governmental Fund Types and Similar Fiduciary Fund Type**  
**Year Ended June 30, 2002**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum) (Only)
<b>REVENUES:</b>						
Revenue from Local Sources						
Taxes	\$ 4,314,128	0	0	112,450	0	\$ 4,426,578
Tuition	40,770	0	0	0	0	40,770
Earnings on Investments	169,010	0	0	6,186	1,150	176,346
Extracurricular Activities	0	160,315	0	0	0	160,315
Miscellaneous	37,479	5,392	0	0	3,561	46,432
Revenue from State Sources						
Unrestricted Grants-in-Aid	5,885,943	0	0	14,596	0	5,900,539
Restricted Grants-in-Aid	179,132	42,810	0	41,040	0	262,982
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	492,651	0	0	0	492,651
<b>Total Revenue</b>	<b>10,626,462</b>	<b>701,168</b>	<b>0</b>	<b>174,272</b>	<b>4,711</b>	<b>11,506,613</b>
<b>EXPENDITURES:</b>						
Instruction						
Regular Instruction	3,962,452	296,777	0	45,477	0	4,304,706
Special Instruction	934,860	255,535	0	0	0	1,190,395
Vocational Instruction	391,307	0	0	230	0	391,537
Other Instruction	186,538	0	0	0	0	186,538
Supporting Services						
Supporting Services-Pupils	237,528	12,149	0	0	0	249,677
Supporting Services-Instructional Staff	365,214	33,568	0	15,000	0	413,782
Supporting Services-Board of Education	43,476	0	0	0	0	43,476
Supporting Services-Administration	812,594	100	0	262	5,722	818,678
Fiscal Services	326,563	0	0	1,941	0	328,504
Operation & Maintenance-Plant	858,432	0	0	5,000	99	863,531
Supporting Services-Pupil Transportation	640,442	0	0	0	0	640,442
Supporting Services-Central	2,769	23,783	0	0	0	26,552
Operation of Non-Instructional Services						
Community Services	0	2,574	0	0	0	2,574
Extracurricular Activities						
Academic & Subject Oriented	19,655	511	0	0	7,249	27,415
Sports Oriented	111,668	91,486	0	0	0	203,154
Capital Outlay						
Other Facility Acquisition & Construction	238,102	0	0	659,930	0	898,032
Debt Service						
Repayment of Debt	0	0	0	66,121	0	66,121
<b>Total Expenditures</b>	<b>9,131,600</b>	<b>716,483</b>	<b>0</b>	<b>793,961</b>	<b>13,070</b>	<b>10,655,114</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,494,862	(15,315)	0	(619,689)	(8,359)	851,499
Other Financing Sources and Uses:						
Proceeds from Sale of Asset	0	0	0	200	0	200
Proceeds from Sale of Notes	0	0	6,510	13,000,000	0	13,006,510
Transfers-In	0	0	0	300,000	0	300,000
Transfers-Out	(300,000)	0	0	0	0	(300,000)
<b>Net Other Financing Sources and Uses</b>	<b>(300,000)</b>	<b>0</b>	<b>6,510</b>	<b>13,300,200</b>	<b>0</b>	<b>13,006,710</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	1,194,862	(15,315)	6,510	12,680,511	(8,359)	13,858,209
Beginning Fund Balance	4,594,734	83,751	0	765,882	71,275	5,515,642
<b>Ending Fund Balance</b>	<b>\$ 5,789,596</b>	<b>68,436</b>	<b>6,510</b>	<b>13,446,393</b>	<b>62,916</b>	<b>\$ 19,373,851</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**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental Fund Types and Similar Fiduciary Fund Type**  
**Year Ended June 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 3,393,912	4,155,635	761,723	0	0	\$ 0
Tuition	33,297	40,770	7,473	0	0	0
Earnings on Investment	138,143	169,147	31,004	0	0	0
Extracurricular Activities	0	0	0	157,803	158,987	1,184
Miscellaneous	9,368	11,471	2,103	5,352	5,392	40
State Unrestricted Grants-in-Aid	4,658,575	5,704,137	1,045,562	0	0	0
State Restricted Grants-in-Aid	146,297	179,132	32,835	42,492	42,810	318
Federal Restricted Grants-in-Aid	0	0	0	488,982	492,651	3,669
<b>Total Revenue</b>	<b>8,379,592</b>	<b>10,260,292</b>	<b>1,880,700</b>	<b>694,629</b>	<b>699,840</b>	<b>5,211</b>
<b>Expenditures:</b>						
Regular Instruction	3,956,415	3,956,163	252	315,023	303,863	11,160
Special Instruction	915,429	915,335	94	278,295	251,205	27,090
Vocational Instruction	464,215	464,128	87	1,604	1,604	0
Other Instruction	186,538	186,538	0	0	0	0
Support Services-Pupils	237,707	237,707	0	15,934	11,884	4,050
Support Services-Instructional Staff	378,501	378,329	172	39,595	37,906	1,689
Support Services-Board of Education	49,038	49,015	23	0	0	0
Support Services-Administration	892,044	891,356	688	100	100	0
Fiscal Services	387,383	381,999	5,384	0	0	0
Operation & Maintenance-Plant	1,026,130	1,024,426	1,704	0	0	0
Support Services-Transportation	641,975	635,124	6,851	0	0	0
Support Services-Central	2,763	2,763	0	23,783	23,783	0
Food Services and Community Operations	0	0	0	2,574	2,574	0
Academic & Subject Oriented	18,462	18,462	0	5,394	511	4,883
Sports Oriented Activity	112,026	112,026	0	98,164	98,164	0
Facilities Acquisition & Construction	314,696	314,696	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>9,583,322</b>	<b>9,568,067</b>	<b>15,255</b>	<b>780,466</b>	<b>731,594</b>	<b>48,872</b>
Excess of Revenue Over (Under) Expenditures	(1,203,730)	692,225	1,895,955	(85,837)	(31,754)	54,083
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Asset	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Advances-In	408	500	92	0	0	0
Transfers-Out	(300,000)	(300,000)	0	0	0	0
Advances-Out	(500)	(500)	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>(300,092)</b>	<b>(300,000)</b>	<b>92</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,503,822)	392,225	1,896,047	(85,837)	(31,754)	54,083
Beginning Fund Balance	4,532,008	4,532,008	--	102,443	102,443	--
Prior Year Carry Over Encumbrances	314,970	314,970	--	14,207	14,207	--
<b>Ending Fund Balance</b>	<b>\$ 3,343,156</b>	<b>\$ 5,239,203</b>	<b>1,896,047</b>	<b>30,813</b>	<b>84,896</b>	<b>\$ 54,083</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**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 Similar Fiduciary Fund Type - Continued**  
**Year Ended June 30, 2002**

	Debt Service Funds			Capital Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 0	0	0	59,738	106,742	\$ 47,004
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	2,239	4,001	1,762
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	4,459	7,968	3,509
State Restricted Grants-in-Aid	0	0	0	22,968	41,040	18,072
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89,404</b>	<b>159,751</b>	<b>70,347</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	55,083	51,805	3,278
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	3,433	3,433	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	15,000	15,000	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	1,062	262	800
Fiscal Services	0	0	0	4,428	1,928	2,500
Operation & Maintenance-Plant	0	0	0	13,425	13,425	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
Sports Oriented Activity	0	0	0	0	0	0
Facilities Acquisition & Construction	0	0	0	726,927	726,927	0
Repayment of Debt	0	0	0	66,121	66,121	0
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>885,479</b>	<b>878,901</b>	<b>6,578</b>
Excess of Revenue Over (Under) Expenditures	0	0	0	(796,075)	(719,150)	76,925
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Asset	0	0	0	112	200	88
Proceeds from Sale of Notes	0	6,510	6,510	0	13,000,000	13,000,000
Transfers-In	0	0	0	167,895	300,000	132,105
Advances-In	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>6,510</b>	<b>6,510</b>	<b>168,007</b>	<b>13,300,200</b>	<b>13,132,193</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	6,510	6,510	(628,068)	12,581,050	13,209,118
Beginning Fund Balance	0	0	--	109,315	109,315	--
Prior Year Carry Over Encumbrances	0	0	--	705,420	705,420	--
<b>Ending Fund Balance</b>	<b>\$ 0</b>	<b>6,510</b>	<b>6,510</b>	<b>186,667</b>	<b>13,395,785</b>	<b>\$ 13,209,118</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**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 Similar Fiduciary Fund Type - Continued**  
**Year Ended June 30, 2002**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 0	0	0	3,453,650	4,262,377	\$ 808,727
Tuition	0	0	0	33,297	40,770	7,473
Earnings on Investment	1,493	1,150	(343)	141,875	174,298	32,423
Extracurricular Activities	0	0	0	157,803	158,987	1,184
Miscellaneous	7,220	5,561	(1,659)	21,940	22,424	484
State Unrestricted Grants-in-Aid	0	0	0	4,663,034	5,712,105	1,049,071
State Restricted Grants-in-Aid	0	0	0	211,757	262,982	51,225
Federal Restricted Grants-in-Aid	0	0	0	488,982	492,651	3,669
<b>Total Revenue</b>	<b>8,713</b>	<b>6,711</b>	<b>(2,002)</b>	<b>9,172,338</b>	<b>11,126,594</b>	<b>1,954,256</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	4,326,521	4,311,831	14,690
Special Instruction	0	0	0	1,193,724	1,166,540	27,184
Vocational Instruction	0	0	0	469,252	469,165	87
Other Instruction	0	0	0	186,538	186,538	0
Support Services-Pupils	0	0	0	253,641	249,591	4,050
Support Services-Instructional Staff	0	0	0	433,096	431,235	1,861
Support Services-Board of Education	0	0	0	49,038	49,015	23
Support Services-Administration	13,322	5,722	7,600	906,528	897,440	9,088
Fiscal Services	0	0	0	391,811	383,927	7,884
Operation & Maintenance-Plant	599	99	500	1,040,154	1,037,950	2,204
Support Services-Transportation	0	0	0	641,975	635,124	6,851
Support Services-Central	0	0	0	26,546	26,546	0
Food Services and Community Operations	0	0	0	2,574	2,574	0
Academic & Subject Oriented	25,138	19,826	5,312	48,994	38,799	10,195
Sports Oriented Activity	0	0	0	210,190	210,190	0
Facilities Acquisition & Construction	0	0	0	1,041,623	1,041,623	0
Repayment of Debt	0	0	0	66,121	66,121	0
<b>Total Expenditures</b>	<b>39,059</b>	<b>25,647</b>	<b>13,412</b>	<b>11,288,326</b>	<b>11,204,209</b>	<b>84,117</b>
Excess of Revenue Over (Under) Expenditures	(30,346)	(18,936)	11,410	(2,115,988)	(77,615)	2,038,373
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Asset	0	0	0	112	200	88
Proceeds from Sale of Notes	0	0	0	0	13,006,510	13,006,510
Transfers-In	0	0	0	167,895	300,000	132,105
Advances-In	649	500	(149)	1,057	1,000	(57)
Transfers-Out	0	0	0	(300,000)	(300,000)	0
Advances-Out	(500)	(500)	0	(1,000)	(1,000)	0
<b>Total Other Sources (Uses)</b>	<b>149</b>	<b>0</b>	<b>(149)</b>	<b>(131,936)</b>	<b>13,006,710</b>	<b>13,138,646</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>						
Beginning Fund Balance	65,032	65,032	--	4,808,798	4,808,798	--
Prior Year Carry Over Encumbrances	17,319	17,319	--	1,051,916	1,051,916	--
<b>Ending Fund Balance</b>	<b>\$ 52,154</b>	<b>63,415</b>	<b>11,261</b>	<b>3,612,790</b>	<b>18,789,809</b>	<b>\$ 15,177,019</b>

See Accompanying Notes to the General Purpose Financial Statements.

**North Union Local School District  
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings  
 Proprietary Fund Type  
 Year Ended June 30, 2002**

	Enterprise Funds
Operating Revenues:	
Food Service	\$ 327,993
Miscellaneous	39,238
Total Operating Revenue	367,231
Operating Expenses:	
Personal Services - Salaries	178,916
Employee Benefits	84,838
Purchased Services	15,457
Supplies and Materials	292,174
Depreciation	2,941
Other Expenses	1,818
Total Operating Expenses	576,144
Operating Loss	(208,913)
Non-Operating Revenues:	
Earnings on Investments	750
State Unrestricted Grants-in-Aid	3,069
Federal Unrestricted Grants-in-Aid	83,470
Federal Restricted Grants-in-Aid	76,721
Total Non-Operating Revenue	164,010
Non-Operating Expenses	
Loss on Disposal of Assets	(4,413)
Total Non-Operating Expenses	(4,413)
Net Loss	(49,316)
Beginning Retained Earnings	139,686
Retained Earnings at End of Year	\$ 90,370

See Accompanying Notes to the General Purpose Financial Statements.

**North Union Local School District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Year Ended June 30, 2002**

	<u>Enterprise Funds</u>
Cash Flows from Operating Activities	
Operating Loss	\$ (208,913)
Adjustments to Reconcile Operating Loss	
to Net Cash provided by Operating Activities:	
Donated Commodities Received During the Year	76,079
Depreciation	2,941
Net (Increase) Decrease in Assets:	
Accounts Receivable	1,250
Inventory	(4,333)
Net Increase (Decrease) in Liabilities:	
Due to Other Funds	10
Intergovernmental Payable	15,197
Accounts Payable	(972)
Accrued Wages and Benefits	10,091
Compensated Absences	(2,413)
Net Adjustments	<u>97,850</u>
Net Cash Used in Operating Activities	(111,063)
Cash Flows from Noncapital Financing Activities:	
Grants from State Sources	3,069
Grants from Federal Sources	<u>83,470</u>
Net Cash Provided by Noncapital Financing Sources	86,539
Cash Flow from Capital Financing Sources:	
Acquisition of Capital Assets	<u>(3,133)</u>
Net Cash Provided by Capital Financing sources	<u>(3,133)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	750
Net Increase in Cash & Cash Equivalents	(26,907)
Cash and Cash Equivalents at Beginning of Year	<u>54,995</u>
Cash and Cash Equivalents at End of Year	<u>\$ 28,088</u>
See Accompanying Notes to General Purpose Financial Statements.	

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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 applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise 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 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. The 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, 2001, was 1479. The District employed 103 certified employees and 67 classified employees. The District is supervised by the Delaware/Union County Board of Education, a separate entity.

The 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 acquisition 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 No. 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.

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.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Management believes the financial statements included in this report represent all of the funds of the District over which the board of education 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.

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).

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Proprietary Fund Type

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

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.

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.

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

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.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**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. Grants and entitlements must also meeting timing, eligibility, and contingency requirements.

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).

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, 2002, which are not intended to finance fiscal year 2002 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.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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.

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 2002.

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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.

**E. Cash and Investments**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." During the fiscal year all investments were limited to certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the STAR Ohio during the fiscal year. 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, 2002.

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 amounted to \$169,010, which included \$58,050 assigned from other funds.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**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 is recorded as an expenditure 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 supplies, and are expended when used.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

**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 District does not possess any infrastructure. The District does not capitalize interest on fixed assets.

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 five to twenty years.

**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. Grants and entitlements must also meeting timing, eligibility, and contingency requirements.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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
- Emergency School Building Repair Funding

Special Revenue Funds

- Education Management Information Systems

Non-Reimbursable Grants

- Post Secondary Vocational Education
- School Improvement Models
- Ohio Reads
- NDEA Title III
- Title VI-B
- Title I
- Title II
- Title VI-R
- Drug Free Schools
- Preschool Disabilities
- Miscellaneous Federal Grants

Reimbursable Grants

General Fund

- 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 58% of the District's operating revenue during the 2002 fiscal year.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**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, 2002, the District had \$500 in Interfund Receivables/Payables and \$3,348 in Due to/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, 2002.

**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; and, 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 is reported as a fund liability.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**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. At June 30, 2002, the District had no contributed capital.

**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 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. 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  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**R. Memorandum Only - Total Columns**

Total columns on the general purpose 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 and Actual (Non-GAAP Basis) All Governmental Fund Types and Similar Fiduciary Fund Type is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 2. Budgetary Basis of Accounting**

The following tables summarize the adjustments necessary to reconcile the GAAP basis 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 Similar Fiduciary Fund Type

	General Fund	Special Revenue	Debt Service	Capital Projects	Trust Funds
GAAP Basis	\$1,194,862	(15,315)	6,510	12,680,511	\$ (8,359)
Increase (Decrease):					
Revenue					
Revenue Accruals	(366,170)	(1,328)	0	(14,521)	2,000
Expenditures:					
Expenditure Accruals	164,320	17,743	0	(46,492)	(12,577)
Encumbrances	<u>(600,787)</u>	<u>(32,854)</u>	<u>0</u>	<u>(38,448)</u>	<u>0</u>
Budget Basis	<u>\$ 392,225</u>	<u>(31,754)</u>	<u>6,510</u>	<u>12,581,050</u>	<u>\$(18,936)</u>

**Note 3. Legal Compliance-Budgets**

Pursuant to Section 117.11(A) of the Revised Code, State auditors performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

**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 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  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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 (STAR Ohio); 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 monies 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.

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*.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 4. Cash and Investments (continued)**

**Deposits:** At year end, the carrying amount of the District's deposits was \$11,748,103 and the bank balance was \$11,994,466. \$200,000 of the bank balance was covered Federal Depository Insurance; \$394,466 was collateralized with securities held by the pledging financial institution's trust department in the District's name; and \$11,400,000 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Amount	Fair Value
	1	2	3		
STAR Ohio				7,873,260	7,873,260
Total Investments				<u>\$ 7,873,260</u>	<u>\$ 7,873,260</u>

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*.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 4. Cash and Investments (continued)**

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	\$ 19,621,388	\$ 0
Investments:		
STAR Ohio	(7,873,260)	7,873,260
Total	11,748,128	7,873,260
Petty Cash	(25)	
Total Cash and Cash Equivalents	\$ 11,748,103	\$ 7,873,260

**Note 5. Property Tax and Income Tax**

**Property 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 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 1998. 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.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 5. Property Tax and Income Tax**

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

The full tax rate at the fiscal year ending June 30, 2002, for operations was \$34.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 4,586,300
Real Property-Residential/Agricultural	98,687,110
Personal Property-General	3,207,230
Personal Property-Public Utilities	<u>8,386,410</u>
Total Assessed Value	<u><u>\$ 114,867,050</u></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. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 6. Receivables**

Receivables at June 30, 2002, consisted of taxes, intergovernmental, fees and miscellaneous accounts. 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 intergovernmental receivables at June 30, 2002 follows:

General Fund:

State Reimbursements	<u>\$ 181,806</u>
Total General Fund	<u><u>\$ 181,806</u></u>

Capital Project Funds:

State Reimbursements	<u>\$ 6,628</u>
Total Capital Project Funds	<u><u>\$ 6,628</u></u>

Total Intergovernmental Receivables	<u><u>\$ 188,434</u></u>
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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 7. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001 (the latest information available), 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$64,117, \$154,560 and \$167,172, respectively; 42.42 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$36,921 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used 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, 2002, 2001, and 2000 were \$417,592, \$608,736 and \$578,856, respectively; 82.1 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$74,830 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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 non-certificated 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$197,807 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$123,683.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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-five (35) days at 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 the District will be granted as follows:

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

Retirement Incentive: For certified staff members, the Board also provides a retirement incentive in addition to other severance payments. Retirement incentives will be granted to those retiring certified staff members 55 years of age or older, based on the following schedule:

End of Service Year	Amount
25th or 30th	\$ 5,000
26th or 31st	\$ 3,000
27th or 32nd	\$ 1,000

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 10. Interfund Transactions**

At June 30, 2002, 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:

	Receivables	Payables	
General Fund	\$ 500	\$ 0	
LaRue Scholarship Fund	0	500	
	\$ 500	\$ 500	

  

	Due From Other Funds	Due To Other Funds	
General Fund	\$ 0	\$ 3,118	
Special Revenue Funds	0	124	
Enterprise Funds	0	106	
Agency Funds	3,348	0	
	\$ 3,348	\$ 3,348	

**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, 2002.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 12. General Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$ 73,505	77,014	73,505	\$ 77,014
Note Payable	0	13,000,000	0	13,000,000
Loan Payable	500,000	0	35,000	465,000
Compensated Absences Payable	453,893	404,256	453,893	404,256
	<u>\$ 1,027,398</u>	<u>13,481,270</u>	<u>562,398</u>	<u>\$ 13,946,270</u>

**Building Loan:**

To implement a building renovations project for Jackson Elementary and North Union High School, the District entered into a building loan program in December, 2000, with the Richwood Banking Company. The loan program, in the amount of \$500,000, is in accordance with Section 3313.375 of the Ohio Revised Code. The District will make loan payments to the Richwood Banking Company at an average rate of 6.45% over a ten-year period.

**Note Payable:**

The District issued a bond anticipation note payable in June 2002 in anticipation of the issuance of bonds for the purpose of constructing and renovating the District's school buildings. On August 29, 2002, the District issued school facilities construction and improvement bonds, the proceeds of which were used to retire the outstanding note. As such, the note payable has been reported as a long-term liability in the financial statements.

Principal and interest requirements to retire long-term debt outstanding at June 30, 2002 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
FY2003	\$ 13,040,000	\$28,702	\$ 13,068,702
FY2004	40,000	26,122	66,122
FY2005	45,000	23,381	68,381
FY2006	50,000	20,317	70,317
FY2007	50,000	17,092	67,092
FY2008 & thereafter	240,000	31,930	271,930
TOTAL	<u>\$ 13,465,000</u>	<u>\$147,544</u>	<u>\$ 13,612,544</u>

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 12. General Long-Term Debt (continued)**

**Debt Limitations:**

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation, unless approved by the State Superintendent of Instruction. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District's unvoted debt limit is \$114,867. The voted debt limit at June 30, 2002 is \$10,338,035.

**Note 13. Fixed Assets**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2002.

Furniture and Equipment	\$ 223,616
Less Accumulated Depreciation	(116,162)
Net Fixed Assets	<u>\$ 107,454</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$ 309,951	0	0	\$ 309,951
Buildings	3,947,307	136,685	0	4,083,992
Furniture and Equipment	3,237,132	344,757	237,706	3,344,183
Vehicles	865,980	136,186	63,188	938,978
Total General Fixed Assets	<u>\$ 8,360,370</u>	<u>617,628</u>	<u>300,894</u>	<u>\$ 8,677,104</u>

There was no significant construction in progress at June 30, 2002.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage in any of the past three years.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. Other liability insurance includes \$20,000 for employee liability for three board members; \$100,000 for the president and vice-president of the board; \$100,000 for the superintendent and \$50,000 for the treasurer. Additionally, the district has commercial crime coverage of \$10,000.

The District maintains replacement cost insurance on buildings and contents in the amount \$22,678,559. Other property insurance includes \$107,433 for musical instruments, 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 \$100,000 and aggregate claims in excess of \$4,292,738.

**Note 15. Jointly Governed Organizations**

Metropolitan Education Council (MEC) - 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. The 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  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**Note 16. Segments of Enterprise Activities**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform Supply Fund	Adult Learning Fund	School Age Child Fund	Total
Operating Revenues	\$ 336,703	0	0	30,528	\$ 367,231
Operating Expenses:					
Depreciation	(2,941)	0	0	0	(2,941)
Other Expenses	(538,972)	0	(192)	(34,039)	(573,203)
Total Operating Expenses	<u>(541,913)</u>	<u>0</u>	<u>(192)</u>	<u>(34,039)</u>	<u>(576,144)</u>
Operating Income (Loss)	(205,210)	0	(192)	(3,511)	(208,913)
Non Operating Rev/Exp					
Grants	163,260	0	0	0	163,260
Loss on Disposal of Assets	(4,413)	0	0	0	(4,413)
Miscellaneous	750	0	0	0	750
Net Income (Loss)	<u>\$ (45,613)</u>	<u>\$ 0</u>	<u>\$ (192)</u>	<u>\$ (3,511)</u>	<u>\$ (49,316)</u>
Net Working Capital	<u>\$ (29,718)</u>	<u>\$ 8,039</u>	<u>\$ 14</u>	<u>\$ 6,596</u>	<u>\$ (15,069)</u>
Fixed Asset Additions	\$ 3,133	\$ 0	\$ 0	\$ 0	\$ 3,133
Total Assets	<u>\$ 135,793</u>	<u>\$ 8,039</u>	<u>\$ 14</u>	<u>\$ 8,430</u>	<u>\$ 152,276</u>
Total Fund Equity	<u>\$ 75,721</u>	<u>\$ 8,039</u>	<u>\$ 14</u>	<u>\$ 6,596</u>	<u>\$ 90,370</u>

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 17. School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 18. Fund Deficits**

Fund balances at June 30, 2002, included the following individual deficits:

Title I Grant	\$ (13,182)
Title VI-R	\$ (2,436)
Larue Scholarship Fund	\$ (500)

The fund deficits are due primarily to the adjustments for accrued 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  
UNION COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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, 2002, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2001	\$ (45,724)	0	21,464	\$ (24,260)
Current Year Set-Aside Requirement	228,698	228,698	0	457,396
Current Year Offsets	0	0	0	0
Qualifying Disbursements	<u>(376,743)</u>	<u>(657,188)</u>	<u>0</u>	<u>(1,033,931)</u>
Total	<u>\$ (193,769)</u>	<u>(428,490)</u>	<u>21,464</u>	<u>\$ (600,795)</u>
Cash Balance Carried Forward to FY2003	<u>\$ (193,769)</u>	<u>\$ 0</u>	<u>\$ 21,464</u>	
Amount Restricted for Budget Stabilization				<u>\$ 21,464</u>
Total Restricted Assets				<u>\$ 21,464</u>

**Note 20. Subsequent Event**

On August 29, 2002, the District issued School Facilities Construction and Improvement bonds in the amount of \$12,999,989. The proceeds will be used to retire the District's outstanding bond anticipation note when it matures in November 2002.

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<u>FEDERAL GRANTOR/</u> <i>Pass Through Grantor/</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Union County Farm Service Agency</i>						
Production Flexibility Payments for Contract Commodities	N/A	10.055	\$ 1,326	\$ -	\$ 1,326	\$ -
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster						
Food Distribution	N/A	10.550	-	76,079	-	78,377
National School Lunch	050336-LLP4-01/02	10.555	83,470	-	83,470	-
Total Nutrition Cluster			<u>83,470</u>	<u>76,079</u>	<u>83,470</u>	<u>78,377</u>
Total U.S. Department of Agriculture			<u>84,796</u>	<u>76,079</u>	<u>84,796</u>	<u>78,377</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	050336-6BSF-2002	84.027	93,407	-	87,582	-
	050336-6BEC-00/01	84.027	(263)	-	3,901	-
			<u>93,144</u>	<u>-</u>	<u>91,483</u>	<u>-</u>
Special Education - Preschool Grant	050336-PGS1-2002	84.173	4,609	-	4,609	-
Total Special Education Cluster			<u>97,753</u>	<u>-</u>	<u>96,092</u>	<u>-</u>
Eisenhower Professional Development State Grants	050336-MSS1-2001	84.281	-	-	63	-
	050336-MSS1-2002	84.281	7,488	-	5,154	-
			<u>7,488</u>	<u>-</u>	<u>5,217</u>	<u>-</u>
Goals 2000 - State and Local Education Systemic Improvement Grant	050336-G2SP-2001	84.276	2,450	-	2,187	-
Title I Grants to Local Educational Agencies	050336-C1S1-2001	84.010	-	-	9,386	-
	050336-C1S1-2002	84.010	120,795	-	110,650	-
			<u>120,795</u>	<u>-</u>	<u>120,036</u>	<u>-</u>
Innovative Educational Program Strategies	050336-C2S1-2001	84.298	(195)	-	2,600	-
	050336-C2S1-2002	84.298	7,399	-	6,555	-
			<u>7,204</u>	<u>-</u>	<u>9,155</u>	<u>-</u>
Safe and Drug Free Schools	050336-DRS1-2001	84.186	-	-	664	-
	050336-DRS1-2002	84.186	5,615	-	1,327	-
			<u>5,615</u>	<u>-</u>	<u>1,991</u>	<u>-</u>
Class Size Reduction	050336-CRS1-2002	84.340	39,603	-	31,316	-
	050336-CRS1-2001	84.340	11,611	-	19,436	-
			<u>51,214</u>	<u>-</u>	<u>50,752</u>	<u>-</u>
Technology Literacy Challenge Grant	050336-TF51-2001	84.318	100,000	-	100,000	-
	050336-TF52-2001	84.318	75,000	-	75,000	-
	050336-TF53-2001	84.318	25,000	-	18,237	-
			<u>200,000</u>	<u>-</u>	<u>193,237</u>	<u>-</u>
Total U.S. Department of Education			<u>492,519</u>	<u>-</u>	<u>478,667</u>	<u>-</u>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America	050336-SVS4-2001	94.004	-	-	3,806	-
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 577,315</b>	<b>\$ 76,079</b>	<b>\$ 567,269</b>	<b>\$ 78,377</b>

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**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**

Non-monetary assistance, such as commodities received from the U.S. Department of Agriculture, is reported in the Schedule at the assessed value provided by the federal agency.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

North Union Local School District  
Union County  
401 North Franklin Street  
Richwood, Ohio 43344-1032

To the Board of Education:

We have audited the general purpose financial statements of the North Union Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain other matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

North Union Local School District  
Union County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

**JIM PETRO**  
Auditor of State

November 15, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

North Union Local School District  
Union County  
401 North Franklin Street  
Richwood, Ohio 43344-1032

To the Board of Education:

**Compliance**

We have audited the compliance of the North Union Local School District, Union County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 its major federal program for the year ended June 30, 2002

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**JIM PETRO**  
Auditor of State

November 15, 2002

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #84.318 – Technology Literacy Challenge Grant
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**NORTH UNION LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 7, 2003**