



**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the fiscal year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is 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 basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



Betty Montgomery
Auditor of State

March 10, 2006

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The discussion and analysis of the Union Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- General revenues accounted for \$9,292,646 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,882,533 or 24 percent of total revenues of \$12,175,179.
- Total program expenses were \$12,353,247.
- In total, net assets decreased \$178,068.
- Outstanding bonded debt decreased from \$2,975,000 to \$2,870,000 during 2005.

Using this Annual Financial Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Union Local School District, the general fund and the debt service fund are the only major funds.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, ie, food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 25. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

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

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The School District as a Whole

Recall the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2005 compared to 2004:

(Table 1)
Net Assets
Governmental Activities

	2005	2004
Assets:		
Current and Other Assets	\$ 4,394,034	\$ 3,702,553
Capital Assets	14,200,063	14,784,281
Total Assets	18,594,097	18,486,834
Liabilities:		
Long-Term Liabilities	3,902,691	3,806,999
Other Liabilities	3,774,417	3,584,778
Total Liabilities	7,677,108	7,391,777
Net Assets:		
Invested in Capital Assets, Net of Debt	11,330,063	11,809,281
Restricted	1,072,468	887,312
Unrestricted Deficit	(1,485,542)	(1,601,536)
Total Net Assets	\$ 10,916,989	\$ 11,095,057

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Total net assets decreased by \$178,068. A decrease of \$584,218 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased by \$285,331, which was primarily a result of increased deferred revenue and long-term liabilities.

Table 2 shows the changes in net assets for fiscal year 2005. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Change in Net Assets
Governmental Activities

	<u>2005</u>	<u>2004</u>
Revenues		
<i>Program Revenue:</i>		
Charges for Services	\$ 758,538	\$ 775,649
Operating Grants	2,096,719	1,220,052
Capital Grants	27,276	0
<i>General Revenues:</i>		
Property Taxes	1,937,657	2,337,995
Grants and Entitlements	7,288,762	7,906,141
Other	66,227	113,396
<i>Total Revenues</i>	<u>12,175,179</u>	<u>12,353,233</u>
Program Expenses		
Instruction	7,811,539	7,442,201
Support Services:		
Pupils and Instructional Staff	886,628	1,000,010
Board of Education, Administration and Fiscal	1,037,805	1,032,409
Operation and Maintenance of Plant	1,150,184	1,425,605
Pupil Transportation	618,114	660,717
Central	13,617	18,790
Food Service Operations	453,534	539,748
Extracurricular Activities	207,468	378,275
Interest and Fiscal Charges	174,358	180,330
<i>Total Expenses</i>	<u>12,353,247</u>	<u>12,678,085</u>
Change in Net Assets	(178,068)	(324,852)
Net Assets, Beginning of Year	<u>11,095,057</u>	<u>11,419,909</u>
Net Assets, End of Year	<u>\$ 10,916,989</u>	<u>\$ 11,095,057</u>

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Governmental Activities

Several revenue sources fund the District's governmental activities with intergovernmental revenue in the form of operating grants and unrestricted grants and entitlements being the largest contributor. Intergovernmental revenue generated \$9.41 million in 2005. Property tax levies generated \$1.93 million in 2005. With the combination of taxes and intergovernmental funding nearly 75 percent of expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Total and Net Cost of Program Expenses
Governmental Activities

	Total Cost of Service 2005	Total Cost of Service 2004	Net Cost of Service 2005	Net Cost of Service 2004
Program Expenses				
Instruction	\$ 7,811,539	\$ 7,442,201	\$ (5,795,085)	\$ (6,367,881)
Support Services:				
Pupils and Instructional Staff	886,628	1,000,010	(698,509)	(860,208)
Board of Education, Administration				
Fiscal and Central	1,051,422	1,051,199	(994,567)	(985,824)
Operation and Maintenance of Plant	1,150,184	1,425,605	(1,141,184)	(1,059,587)
Pupil Transportation	618,114	660,717	(572,815)	(614,639)
Food Service Operations	453,534	539,748	(34,306)	(352,341)
Extracurricular Activities	207,468	378,275	(59,890)	(261,574)
Interest and Fiscal Charges	174,358	180,330	(174,358)	(180,330)
Total	\$ 12,353,247	\$ 12,678,085	\$ (9,470,714)	\$ (10,682,384)

Instruction and student support services comprise 70.4 percent of governmental program expenses. Other support services such as board of education, administration, fiscal, business and central were 8.5 percent of governmental program expenses. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the District. Interest and fiscal charges were 1.4 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 14.3 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations, comprises 3.7 percent of governmental program expenses. Extracurricular activities comprise 1.7 percent of total expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Union Local School District students.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,355,691 and expenditures of \$11,657,358. The net change in governmental fund balance for the year totaled \$698,333.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District did modify its general fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, final budget basis revenue was \$10,471,965, over the original budget estimates of \$10,283,368. Of this \$188,597 increase, most was attributable to an increase in intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$14,200,063 invested in land, buildings and improvements, and vehicles. See note 8 for additional details. Table 4 shows fiscal year 2005 balances compared with 2004.

(Table 4)
Capital Assets at June 30
Governmental Activities

	Governmental Activities	
	2005	2004
Land	\$ 1,842,760	\$ 1,842,760
Buildings and Improvements	12,143,328	12,664,922
Vehicles	213,975	276,599
Totals	\$ 14,200,063	\$ 14,784,281

All capital assets, except land, are reported net of depreciation. The \$584,218 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Senate Bill 345 requires the School District to set aside \$151.74 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2005, this amounted to \$218,063 for each set aside. (See Note 17)

Debt

At June 30, 2005, the District had \$2,870,000 in bonds outstanding with \$110,000 due within one year. See note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2005	Governmental Activities 2004
	<u> </u>	<u> </u>
1997 General Obligation Bond	<u>\$ 2,870,000</u>	<u>\$ 2,975,000</u>

Current Issues

The Union Local School District is currently experiencing financial difficulty. As the preceding information shows, the District relies heavily on state funding as well as its local property taxpayers. Based on the current financial situation, the District is currently looking at several cost cutting measures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shawn Miller, Treasurer/CFO at Union Local School District, P.O. Box 300, Morristown, OH 43759.

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Union Local School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,738,000
Cash and Cash Equivalents with Fiscal Agents	96,808
Receivables:	
Taxes	2,299,960
Accounts	14,763
Intergovernmental	128,886
Prepaid Items	19,543
Inventory Held For Resale	4,898
Materials and Supplies Inventory	91,176
Nondepreciable Capital Assets	1,842,760
Depreciable Capital Assets, Net	<u>12,357,303</u>
<i>Total Assets</i>	<u>18,594,097</u>
Liabilities	
Accounts Payable	79,644
Accrued Wages and Benefits	1,055,392
Matured Compensated Absences Payable	23,880
Intergovernmental Payable	306,258
Deferred Revenue	2,285,624
Accrued Interest Payable	14,409
Claims Payable	9,210
Long Term Liabilities:	
Due Within One Year	155,048
Due in More Than One Year	<u>3,747,643</u>
<i>Total Liabilities</i>	<u>7,677,108</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,330,063
Restricted for:	
Capital Projects	252,128
Debt Service	532,186
Other Purposes	288,154
Unrestricted	<u>(1,485,542)</u>
<i>Total Net Assets</i>	<u>\$ 10,916,989</u>

See accompanying notes.

Union Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$ 5,963,755	\$ 490,031	\$ 474,772	\$ 0	\$ (4,998,952)
Special	1,586,187	7,393	979,940	0	(598,854)
Vocational	246,753	0	64,318	0	(182,435)
Other	14,844	0	0	0	(14,844)
Support Services:					
Pupils	476,460	0	140,578	0	(335,882)
Instructional Staff	410,168	0	47,541	0	(362,627)
Board of Education	145,744	0	0	0	(145,744)
Administration	651,358	0	43,255	0	(608,103)
Fiscal	240,703	0	0	0	(240,703)
Operation and Maintenance of Plant	1,150,184	0	9,000	0	(1,141,184)
Pupil Transportation	618,114	0	18,023	27,276	(572,815)
Central	13,617	0	13,600	0	(17)
Operation of Non-instructional Services:					
Food Service Operations	453,534	136,903	282,325	0	(34,306)
Extracurricular Activities	207,468	124,211	23,367	0	(59,890)
Interest and Fiscal Charges	174,358	0	0	0	(174,358)
<i>Total Governmental Activities</i>	<u>\$ 12,353,247</u>	<u>\$ 758,538</u>	<u>\$ 2,096,719</u>	<u>\$ 27,276</u>	<u>(9,470,714)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					1,663,699
Debt Service					237,442
Capital Outlay					36,516
Grants and Entitlements not Restricted to Specific Programs					7,288,762
Investment Earnings					25,422
Miscellaneous					40,805
<i>Total General Revenues</i>					<u>9,292,646</u>
<i>Change in Net Assets</i>					(178,068)
<i>Net Assets Beginning of Year</i>					<u>11,095,057</u>
<i>Net Assets End of Year</i>					<u>\$ 10,916,989</u>

See accompanying notes.

Union Local School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 597,245	\$ 544,847	\$ 471,317	\$ 1,613,409
Restricted Cash and Cash Equivalents	124,591	0	0	124,591
Receivables:				
Taxes	1,988,702	279,341	31,917	2,299,960
Accounts	14,763	0	0	14,763
Interfund	10,650	0	0	10,650
Intergovernmental	4,868	0	124,018	128,886
Prepaid Items	19,543	0	0	19,543
Inventory Held For Resale	0	0	4,898	4,898
Materials and Supplies Inventory	90,073	0	1,103	91,176
<i>Total Assets</i>	<u>\$ 2,850,435</u>	<u>\$ 824,188</u>	<u>\$ 633,253</u>	<u>\$ 4,307,876</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 63,434	\$ 0	\$ 16,210	\$ 79,644
Accrued Wages and Benefits	918,307	0	137,085	1,055,392
Matured Compensated Absences Payable	22,383	0	1,497	23,880
Interfund Payable	0	0	10,650	10,650
Intergovernmental Payable	267,133	0	39,125	306,258
Deferred Revenue	1,988,702	279,341	107,221	2,375,264
<i>Total Liabilities</i>	<u>3,259,959</u>	<u>279,341</u>	<u>311,788</u>	<u>3,851,088</u>
Fund Balances				
Reserved for Encumbrances	189,550	0	55,510	245,060
Reserved for Bus Purchases	27,276	0	0	27,276
Reserved for Inventory	90,073	0	6,001	96,074
Reserved for Textbooks	90,010	0	0	90,010
Reserved for Capital Acquisition	7,305	0	0	7,305
Unreserved, Undesignated, Reported in:				
General Fund	(813,738)	0	0	(813,738)
Special Revenue Funds	0	0	7,550	7,550
Debt Service Fund	0	544,847	0	544,847
Capital Projects Funds	0	0	252,404	252,404
<i>Total Fund Balances</i>	<u>(409,524)</u>	<u>544,847</u>	<u>321,465</u>	<u>456,788</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,850,435</u>	<u>\$ 824,188</u>	<u>\$ 633,253</u>	<u>\$ 4,307,876</u>

See accompanying notes.

Union Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$	456,788
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*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,200,063
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	\$	75,304
Delinquent Property Taxes		14,336

Total		89,640
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		87,598
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(14,409)
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Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(1,032,691)	
General Obligation Bonds	(2,870,000)	

Total		(3,902,691)
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<i>Net Assets of Governmental Activities</i>	\$	<u>10,916,989</u>
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See accompanying notes.

Union Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 1,884,293	\$ 268,572	\$ 40,607	\$ 2,193,472
Intergovernmental	7,887,172	39,912	1,383,390	9,310,474
Investment Income	20,246	0	5,176	25,422
Tuition and Fees	491,487	0	0	491,487
Extracurricular Activities	0	0	113,932	113,932
Rentals	5,937	0	0	5,937
Charges for Services	0	0	136,795	136,795
Contributions and Donations	29,436	0	26,980	56,416
Miscellaneous	11,369	0	10,387	21,756
<i>Total Revenues</i>	<u>10,329,940</u>	<u>308,484</u>	<u>1,717,267</u>	<u>12,355,691</u>
Expenditures				
Current:				
Instruction:				
Regular	4,955,387	0	452,075	5,407,462
Special	1,057,388	0	402,685	1,460,073
Vocational	216,551	0	1,279	217,830
Other	14,844	0	0	14,844
Support Services:				
Pupils	349,291	0	114,125	463,416
Instructional Staff	348,512	0	35,620	384,132
Board of Education	145,744	0	0	145,744
Administration	609,386	0	35,978	645,364
Fiscal	231,403	6,727	1,210	239,340
Operation and Maintenance of Plant	1,100,267	0	50,322	1,150,589
Pupil Transportation	572,510	0	22,824	595,334
Central	100	0	13,517	13,617
Operation of Non-Instructional Services				
Food Service Operations	0	0	410,937	410,937
Extracurricular Activities	121,501	0	106,870	228,371
Debt Service:				
Principal Retirement	0	105,000	0	105,000
Interest and Fiscal Charges	0	175,305	0	175,305
<i>Total Expenditures</i>	<u>9,722,884</u>	<u>287,032</u>	<u>1,647,442</u>	<u>11,657,358</u>
<i>Excess of Revenues Over Expenditures</i>	<u>607,056</u>	<u>21,452</u>	<u>69,825</u>	<u>698,333</u>
Other Financing Sources (Uses)				
Transfers In	0	0	23,592	23,592
Transfers Out	(23,592)	0	0	(23,592)
<i>Total Financing Sources (Uses)</i>	<u>(23,592)</u>	<u>0</u>	<u>23,592</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	583,464	21,452	93,417	698,333
<i>Fund Balances (Deficit) Beginning of Year (Restated)</i>	(1,010,100)	523,395	234,333	(252,372)
<i>Increase (Decrease) in Reserve for Inventory</i>	17,112	0	(6,285)	10,827
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (409,524)</u>	<u>\$ 544,847</u>	<u>\$ 321,465</u>	<u>\$ 456,788</u>

See accompanying notes.

Union Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$ 698,333

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

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

Capital Asset Additions	6,162	
Current Year Depreciation	(590,380)	
Total		(584,218)

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

Grants	75,304	
Delinquent Property Taxes	(255,815)	
Total		(180,511)

Repayment of general obligation bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 947

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(200,693)	
Change in Inventory	10,827	
Total		(189,866)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (27,753)

Change in Net Assets of Governmental Activities \$ (178,068)

See accompanying notes.

Union Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 2,082,000	\$ 2,082,000	\$ 2,007,585	\$ (74,415)
Intergovernmental	7,725,678	7,844,275	7,882,402	38,127
Investment Income	5,000	15,000	15,502	502
Tuition and Fees	469,090	499,090	490,345	(8,745)
Rentals	500	500	4,777	4,277
Contributions and Donations	400	30,400	29,436	(964)
Miscellaneous	700	700	885	185
<i>Total Revenues</i>	<u>10,283,368</u>	<u>10,471,965</u>	<u>10,430,932</u>	<u>(41,033)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,839,052	5,171,876	5,159,093	12,783
Special	972,073	1,045,453	1,043,327	2,126
Vocational	237,473	238,073	226,743	11,330
Other	20,000	20,000	14,844	5,156
Support Services:				
Pupils	357,228	358,328	347,013	11,315
Instructional Staff	366,258	385,918	379,575	6,343
Board of Education	79,190	164,073	144,586	19,487
Administration	686,187	683,277	626,022	57,255
Fiscal	245,772	259,772	240,816	18,956
Operation and Maintenance of Plant	1,189,107	1,195,607	1,120,494	75,113
Pupil Transportation	595,175	723,075	572,406	150,669
Central	0	10,000	100	9,900
Operation of Non-Instructional Services:				
Food Service Operations	0	10,370	10,370	0
Extracurricular Activities	126,080	131,580	132,291	(711)
Capital Outlay	0	6,100	6,100	0
<i>Total Expenditures</i>	<u>9,713,595</u>	<u>10,403,502</u>	<u>10,023,780</u>	<u>379,722</u>
<i>Excess of Revenues Over Expenditures</i>	<u>569,773</u>	<u>68,463</u>	<u>407,152</u>	<u>338,689</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	14,000	14,000	4,725	(9,275)
Advances In	0	0	372	372
Advances Out	0	(11,000)	(10,650)	350
<i>Total Other Financing Sources (Uses)</i>	<u>14,000</u>	<u>3,000</u>	<u>(5,553)</u>	<u>(8,553)</u>
<i>Net Change in Fund Balance</i>	583,773	71,463	401,599	330,136
<i>Fund Balance (Deficit) Beginning of Year</i>	31,647	31,647	31,647	0
Prior Year Encumbrances Appropriated	37,251	37,251	37,251	0
<i>Fund Balance End of Year</i>	<u>\$ 652,671</u>	<u>\$ 140,361</u>	<u>\$ 470,497</u>	<u>\$ 330,136</u>

See accompanying notes.

Union Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2005

	Governmental Activities - Internal Service Fund
Assets	
Cash and Cash Equivalents with Fiscal Agents	\$ 96,808
Liabilities	
Claims Payable	9,210
Net Assets	
Unrestricted	\$ 87,598

See accompanying notes.

Union Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 135,549
Operating Expenses	
Purchased Services	68,400
Claims	95,855
<i>Total Operating Expenses</i>	164,255
<i>Operating Loss</i>	(28,706)
Non-Operating Revenue	
Interest	953
<i>Change in Net Assets</i>	(27,753)
<i>Net Assets Beginning of Year</i>	115,351
<i>Net Assets End of Year</i>	\$ 87,598

See accompanying notes.

Union Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows From Operating Activities:	
Cash Received from Interfund Services	\$ 135,549
Cash Payments for Goods and Services	(67,419)
Cash Payments to Employees	(981)
Cash Payments for Claims	<u>(90,572)</u>
<i>Net Cash Used For Operating Activities</i>	<u>(23,423)</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>953</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(22,470)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>119,278</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 96,808</u></u>
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	\$ (28,706)
Adjustments:	
Increase in Claims Payable	<u>5,283</u>
<i>Net Cash Used For Operating Activities</i>	<u><u>\$ (23,423)</u></u>

See accompanying notes.

Union Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust Mueller Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 14,538	\$ 31,811
Liabilities		
Due to Students	0	\$ 31,811
Net Assets		
Held in Trust for Scholarships	\$ 14,538	

See accompanying notes.

Union Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust <u>Mueller Scholarship</u>
Additions	
Gifts and Contributions	\$ 11,279
Deductions	
Scholarships Awarded	<u>12,000</u>
<i>Change in Net Assets</i>	(721)
<i>Net Assets Beginning of Year</i>	<u>15,259</u>
<i>Net Assets End of Year</i>	<u><u>\$ 14,538</u></u>

See accompanying notes.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Union Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership on, or as of October 1, 2004, was 1,477. The District employs 120 certificated and 62 non-certificated employees.

The District was established in 1952 through the consolidation of the Union Township, Smith Township, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, Union Local School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as the renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont, Centerville, Bethesda, and Flushing. The District is the 357th largest in the State of Ohio (among 612 school districts) in terms of enrollment. Subsequent to the completion of the renovations to the high school building and new addition and construction of the new elementary school, the Flushing, Centerville, Belmont and Bethesda Elementary Buildings were turned over to the communities for one dollar. The District currently operates three instructional buildings, one administrative building and one garage.

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

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

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

The District is involved with the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), East Central Ohio Special Education Regional Resource Center (ECOSERRC), the Coalition of Rural and Appalachian Schools, the Ohio Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Ohio Mid-Eastern Regional Educational Service Agency (ORE-RESA) Self-Insurance Plan which are defined as a jointly governed organizations, insurance purchasing pools, and a claims servicing pool. Additional information concerning these organizations is presented in Notes 15 and 16 to the basic financial statements.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the District are grouped in the categories governmental, proprietary, and fiduciary.

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

General Fund - The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's internal service funds account for funds for the operation of the District's self-insurance program for employee prescription drug and dental claims.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are agency funds and private purpose trust fund. The District's agency funds account for student activities and assets held by the District as agent for outside activities.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in the total net assets.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

D. Basis of Accounting

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

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

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Cash Equivalents

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

The District has cash with a fiscal agent held separate from the District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the statement of net assets and the statement of fund net assets as "cash and cash equivalents with fiscal agents".

During fiscal year 2005, the District has no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$20,246, which includes \$14,670 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by statute to be set aside for the purchase of textbooks and capital acquisition. See Note 17 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

On fund financial statements, reported inventories are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net assets.

Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

J. Capital Assets

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

Land, buildings and improvements, and vehicles are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	30 Years
Vehicles	5-10 Years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wages at fiscal year end taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The unmatured portion of these obligations should be reported as general long-term liabilities segregated between amounts due within one year and amounts due in more than one year. Long-term notes and loans are recognized as a liability on the governmental fund financial statements when due or when resources are available. The unmatured portion of these obligations should also be reported as general long-term liabilities segregated between amounts due in one year and amounts due in more than one year.

N. Interfund Activity

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

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

P. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, inventories, bus purchases, textbooks and capital acquisition.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute. The reserves for textbooks and capital acquisition represent monies required to be set-aside by statute for the purchase of textbooks and capital acquisition.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

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.

Union Local School District
Notes To The Basic Financial Statements
 June 30, 2005

NOTE 3: ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 5. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$ (933,384)	\$ 247,882
GASB Technical Bulletin No. 2004-2	(76,716)	(13,549)
Restated Fund Balances, June 30, 2004	\$ (1,010,100)	\$ 234,333

B. Deficit Fund Balances

Fund balances at June 30, 2005, included the following individual fund deficits:

General Fund	\$	409,524
<i>Other Governmental Funds:</i>		
DPIA		25,033
Title I		60,519
CIP Implementation Grant		47
Class Size Reduction		4,656
Food Service		11,000

The deficit in the General Fund was created by the lack of unrestricted available resources to cover operations in the fund as well as the application of generally accepted accounting principles. The District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

The Other Governmental Funds deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, rather than when accruals occur.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 4: 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ 583,464
Net adjustment for revenue accruals	106,089
Net adjustment for expenditure accruals	(36,604)
Adjustment for encumbrances	<u>(251,350)</u>
 Budget Basis	 <u>\$ 401,599</u>

NOTE 5: CASH AND CASH EQUIVALENTS

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

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

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

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

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 5: CASH AND CASH EQUIVALENTS (Continued)

Interim monies to 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 or 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. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 5: CASH AND CASH EQUIVALENTS (Continued)

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2005, the District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At fiscal year-end, the carrying amount of the District's deposits was \$1,784,349. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, \$1,743,584 of the District's bank balance of \$1,843,584 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Funds Held by Fiscal Agent

The District participates in the Ohio Mid-Eastern Regional Education Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$96,808. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 6: PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Belmont and Harrison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Union Local School District
Notes To The Basic Financial Statements
 June 30, 2005

NOTE 6: PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 87,104,040	87.96%	\$ 91,761,200	87.83%
Tangible Personal Property	4,182,380	4.22%	4,622,090	4.42%
Personal Public Utility	7,746,950	7.82%	8,097,230	7.75%
Total Assessed Value	\$ 99,033,370	100%	\$ 104,480,520	100%
Tax rate per \$1000 of assessed value	\$ 31.60		\$ 33.55	

NOTE 7: RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be received within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
CAFS	4,868
Title VI-B	105,559
Title VI	3,015
Drug Free Grant	288
Title VI-R	6,058
Misc. Federal Grant	9,098
Total All Funds	\$ 128,886

Union Local School District
Notes To The Basic Financial Statements
 June 30, 2005

NOTE 8: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land and Improvements	\$ 1,842,760	\$ 0	\$ 0	\$ 1,842,760
 <i>Capital Assets, being depreciated:</i>				
Building and Building Improvements	17,591,319	6,162	0	17,597,481
Vehicles	1,230,726	0	0	1,230,726
<i>Total Capital Assets, being depreciated</i>	18,822,045	6,162	0	18,828,207
 <i>Less Accumulated Depreciation:</i>				
Building and Building Improvements	(4,926,397)	(527,756)	0	(5,454,153)
Vehicles	(954,127)	(62,624)	0	(1,016,751)
<i>Total Accumulated Depreciation</i>	(5,880,524)	(590,380) *	0	(6,470,904)
 <i>Total Capital Assets being depreciated, net</i>	12,941,521	(584,218)	0	12,357,303
 <i>Governmental Activities Capital Assets, Net</i>	\$ 14,784,281	\$ (584,218)	\$ 0	\$ 14,200,063

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 357,250
Special	64,955
Vocational	16,239
Support Services:	
Pupils	8,119
Instructional Staff	16,239
Administration	16,239
Operation and Maintenance of Plant	1,600
Pupil Transportation	61,024
Operation of Non-Instructional Services:	
Food Service Operations	32,477
Extracurricular Activities	16,238
	\$ 590,380
 Total Depreciation Expense	\$ 590,380

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 9: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003, the District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based upon the types of coverage, limits of coverage, and deductibles that it selects. The District contracted with the Ohio School Plan for liability insurance. The policy has a liability per occurrence limit ranging from \$10,000 to \$2,000,000 and a \$3,000,000 aggregate annual limit.

The District contracted with Indiana Insurance for property coverage. The property insurance policy is a replacement cost policy with a \$2,500 deductible.

The District contracted with the Indiana Insurance for fleet insurance. The policy has a liability per occurrence of \$1,000,000 and deductibles between \$50 and \$1,000.

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

B. Workers' Compensation

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District participates in the Ohio School Boards Association Group Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the district by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Union Local School District
Notes To The Basic Financial Statements
 June 30, 2005

NOTE 9: RISK MANAGEMENT (Continued)

C. Employee Health Insurance

Prescription, vision, and dental insurance are offered to employees through a self-insurance internal service fund. The District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$9,210 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The following shows the changes in claims activity for the past two fiscal years:

		Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
	\$		\$	\$	\$
2004	9,608	108,370	114,051	3,927	
2005	3,927	95,855	90,572	9,210	

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion to fund pension obligations. Contribution rates are established by STRS Ohio, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004 and 2003 were \$751,344, \$745,728 and \$770,802, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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, Columbus, Ohio 43215, or by calling (614) 222-5853.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with remainder being used to fund health care benefits; for fiscal year 2005, 10.57 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 amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$189,492, \$210,000 and \$142,695, respectively; 55 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$84,492, representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the respective funds.

NOTE 11: POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 obligation 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.

STRS Ohio retirees who participated in the DC and Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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, 2005, the STRS Board allocated employer contributions equaled to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$53,667 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the fund was \$3.1 billion. For the year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268,739,000 and STRS had 118,853 eligible benefit recipients.

For SERS, coverage is made available to retirees, and their dependents, with 10 years or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$84,644.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 (the latest information possible), SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 12 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for all certificated employees and 280 days for all non-classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 72 days for certificated employees provided such certificated staff member has been continuously employed by the District for 9 years and 70 days for classified employees provided such classified employee has been continuously employed by the District for 7 years.

B. Health/Life Insurance

The District contracts with Medical Mutual of Ohio for hospitalization and major medical insurance for all employees. The School District pays monthly premiums of up to \$980.23 for family coverage and up to \$368.34 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

Union Local School District
Notes To The Basic Financial Statements
 June 30, 2005

NOTE 13: GENERAL LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year 2005 were as follows:

	Outstanding July 1, 2004	Additions	Reductions	Outstanding June 30, 2005	Due in One Year
1997 General Obligation Bonds					
4.1% - 6.25%	\$ 2,975,000	\$ 0	\$ (105,000)	\$ 2,870,000	\$ 110,000
Compensated Absences	831,999	224,272	(23,580)	1,032,691	45,048
	<u>\$ 3,806,999</u>	<u>\$ 224,272</u>	<u>\$ (128,580)</u>	<u>\$ 3,902,691</u>	<u>\$ 155,048</u>

Outstanding general obligation bonds are direct obligations of the District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

General Obligation Bonds

On April 1, 1997, the District issued \$3,535,000 in general obligation bonds, which represented the local share for the District's construction of a new high school, new elementary school, and for the middle school renovations. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2018. The general obligation bonds will be paid from the proceeds of a 4.5 mill bond levy. In addition to these proceeds, the District received \$15,262,035 in monies from the Ohio School Facilities Commission. Initially, repayment of the Ohio School Facilities Commission funds was to be made over a twenty-three year period from a half-mill levy. During 1998, the District passed the necessary board resolution which enables the District to retain the half-mill levy for maintenance of the new buildings due to the District's assessed value being below the statewide median. As a result of the approval from the Ohio School Facilities Commission, the District has no obligation to repay the School Facilities Loan.

At June 30, 2005, the District had an overall legal debt margin of \$6,533,247 and an unvoted debt margin of \$104,481.

The following is a summary of the School District's annual debt service principal and interest payments regarding the outstanding general obligation debt:

		General Obligation Bonds		
		Principal	Interest	Total
Year ending June 30,	2006	\$ 110,000	\$ 168,613	\$ 278,613
	2007	120,000	161,425	281,425
	2008	135,000	153,456	288,456
	2009	145,000	144,706	289,706
	2010	160,000	135,375	295,375
	2011-2015	1,035,000	507,470	1,542,470
	2016-2019	1,165,000	143,223	1,308,223
Total		<u>\$ 2,870,000</u>	<u>\$ 1,414,268</u>	<u>\$ 4,284,268</u>

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 14: INTERFUND TRANSACTIONS

A. Interfund Balances

As of June 30, 2005, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 10,650	\$ 0
Other Governmental Funds	<u>0</u>	<u>10,650</u>
Totals	<u>\$ 10,650</u>	<u>\$ 10,650</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

B. Interfund Transfers

During the fiscal year, a prior year interfund receivable/payable was reclassified as a transfer. During fiscal year 2004, the general fund reported an advance to the food service fund of \$23,592 for general operations. It was determined by the District treasurer that this should have been recorded as a transfer.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 15: JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting Ohio Mid-Eastern Regional Educational Service Agency, Dick Gummere, who serves as Interim Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$87,654 for services provided during fiscal year 2005.

B. Belmont-Harrison Vocational School

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2005, the School District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

C. East Central Ohio Special Education Regional Resource Center (ECOSERRC)

The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC. Financial information can be obtained by contacting Julie Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition.

Union Local School District
Notes To The Basic Financial Statements
June 30, 2005

NOTE 16: PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

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

Ohio School Plan – The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Claims Servicing Pool

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

Union Local School District
Notes To The Basic Financial Statements
 June 30, 2005

NOTE 17: SET-ASIDE CALCULATIONS

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

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

	Textbooks	Capital Acquisition
Set-aside Reserved Balance as of June 30, 2004	\$ 0	\$ 0
Current Year Set-Aside Requirement	218,063	218,063
Balance Carried Over from Prior Year	(3,947)	0
Current Year Offsets	0	(42,842)
Qualifying Disbursements	(124,106)	(167,916)
Totals	\$ 90,010	\$ 7,305
Set-aside Balance Carried Forward to Future Fiscal Years	\$ 90,010	\$ 7,305
Set-aside Reserve Balance as of June 30, 2005	\$ 90,010	\$ 7,305

The total reserve balance for the two set-asides at the end of the fiscal year was \$97,315.

NOTE 18: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

The District is not party to any claims or lawsuits that would have a material effect, if any, on the financial condition of the District.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$0	\$2,010	\$0	\$2,010
School Breakfast Program	046011-05PU	10.553	96,349		96,349	
National School Lunch Program	046011-LLP4	10.555	<u>167,906</u>		<u>167,906</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>264,255</u>	<u>2,010</u>	<u>264,255</u>	<u>2,010</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education_Grants to States	046011-6BSF	84.027	254,898		266,479	
Title I Grants to Local Educational Agencies	046011-C1S1	84.010	314,256		314,256	
Innovative Education Program Strategies	046011-C2S1	84.298	7,611		6,892	
Safe and Drug-Free Schools and Communities_State Grants	046011-DRS1	84.186	9,591		8,693	
Improving Teacher Quality State Grants	046011-TRS1	84.367	90,346		87,408	
Education Technology State Grants	046011-TJS1	84.318	4,763		3,300	
Federal Emergency Repair Program	046011-AT-S2-02	84.352	<u>2,372</u>		<u>2,000</u>	
Total U.S. Department of Education			<u>683,837</u>	<u>0</u>	<u>689,028</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Health Insurance Program	N/A	93.767	4,788		4,788	
Medical Assistance Program	N/A	93.778	<u>53,837</u>		<u>53,837</u>	
Total U.S. Department of Health and Human Services			<u>58,625</u>	<u>0</u>	<u>58,625</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,006,717</u>	<u>\$2,010</u>	<u>\$1,011,908</u>	<u>\$2,010</u>

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - TRANSFERS

The Ohio Department of Education (ODE) requires school districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfers due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.298	046011-C2S1-2004		\$2,143
84.298	046011-C2S1-2005	\$2,143	
84.318	046011-TJS1-2004		<u>3,713</u>
84.318	046011-TJS1-2005	<u>3,713</u>	
Total		<u>\$5,856</u>	<u>\$5,856</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2006, wherein we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Union Local School District
Belmont County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Union Local School District, Belmont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures 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 apply to its major federal program for the year ended June 30, 2005.

Internal Control over Compliance

The District's management 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 directly and materially affect a major federal program 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.

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Union Local School District
Belmont County
Independent Accountants' Report on Compliance with Requirements Applicable
to the Major Federal Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page 2

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 10, 2006

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, C.F.D.A. #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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UNION LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2006**