



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

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 the North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2007, 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 North Union Local School District, Union County, Ohio, as of June 30, 2007, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008, 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.

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 federal awards receipts and expenditures schedule is presented for additional analysis as required by the 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 federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 28, 2008

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

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The discussion and analysis of North Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2007 are as follows:

In total, net assets increased \$24,143,798, or 183 percent. Most of this increase can be attributed to resources the School District received from the Ohio School Facilities Commission to be used for facility construction.

General revenues were \$36,240,734, or 94 percent of total revenues, and reflect the School District's continued dependence on property taxes, income taxes, and unrestricted State entitlements.

The School District has completed, in the past four years, the construction of a new 791 student elementary school, a 21,000 square foot addition to the existing high school, converted a small existing elementary school into administrative offices, and is replacing the high school outdoor stadium bleachers. The School District has been able to do these capital improvements through a bond issue approved by the voters in 2002, a loan through the Richwood Banking Company, and our Permanent Improvement Fund. The School District has currently awarded contracts for the renovation of the existing high school and will be accepting bids for a new middle school in early calendar year 2008. These projects are being paid for by the Ohio School Facilities Commission. The projects are to be completed by the 2009-2010 school year. The School District will also be looking to gain the approval of the voters for a 5.5 mill permanent improvement levy to fund a 700 seat auditorium, additional classrooms, an auxiliary gym, and provide a continuous funding source for technology. This issue will be on the March 4, 2008, ballot.

The School District's five-year forecast, approved by the Board of Education at each month's regular Board Meeting, illustrates that estimated expenditures are expected to exceed estimated revenues in each fiscal year beginning in fiscal year 2008, with a projected deficit fund balance in fiscal year 2012. In November 2005, the voters approved the renewal of an emergency operating levy. The approval of this levy ensures that there will not be an interruption of this revenue stream. The Board will closely monitor spending to extend the amount of time before it is necessary to ask voters for new operational funds. To date, the School District has not gone to the voters for new operating funds in more than ten years.

The School District provides for employee medical, drug, and dental insurance through a shared risk pool, the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. The pool consists of eight school districts and an educational service center. The pool is continually looking for ways to contain and minimize costs. At the end of the fiscal year, the Trust had excess reserves and gave all member school districts a one month rate holiday. The Trust annually reviews its cash position each year to determine if a rate holiday is available.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand North Union Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances.

Fund financial statements provide a greater 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 School District's most significant funds, with all other nonmajor funds presented in total in a single column. For the School District, the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Governmental Funds - All of the School District's programs are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1 Net Assets			
	Governmental Activities		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
<u>Assets:</u>			
Current and Other Assets	\$37,241,977	\$15,061,060	\$22,180,917
Capital Assets, Net	18,552,822	17,556,945	995,877
Total Assets	<u>55,794,799</u>	<u>32,618,005</u>	<u>23,176,794</u>
<u>Liabilities:</u>			
Current and Other Liabilities	5,403,705	5,040,165	(363,540)
Long-Term Liabilities	13,061,869	14,392,413	1,330,544
Total Liabilities	<u>18,465,574</u>	<u>19,432,578</u>	<u>967,004</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	6,481,751	4,186,956	2,294,795
Restricted	22,344,438	1,454,994	20,889,444
Unrestricted	8,503,036	7,543,477	959,559
Total Net Assets	<u>\$37,329,225</u>	<u>\$13,185,427</u>	<u>\$24,143,798</u>

A review of the above table reveals a number of significant changes from the prior fiscal year. The increase in current and other assets is due to the receipt of monies from the Ohio School Facilities Commission for building construction. This increase is also reflected in the increase in restricted net assets. Capital assets increased by almost \$1 million, in large part due to construction activities. Long-term liabilities decreased from the retirement of a long-term loan, the proceeds of which had also been used for construction. The combination of some completed construction as well as debt reduction led to the increase in invested in capital assets.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

Table 2  
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$758,183	\$522,550	\$235,633
Operating Grants, Contributions, and Interest	1,410,883	1,364,404	46,479
Capital Grants and Contributions	19,435	27,100	(7,665)
Total Program Revenues	<u>2,188,501</u>	<u>1,914,054</u>	<u>274,447</u>
General Revenues			
Property Taxes Levied for General Purposes	3,352,079	3,321,647	30,432
Property Taxes Levied for Classroom Facilities Maintenance	64,421	52,972	11,449
Property Taxes Levied for Debt Service	894,138	844,486	49,652
Property Taxes Levied for Permanent Improvement	136,816	112,999	23,817
Income Taxes Levied for General Purposes	1,565,640	1,434,453	131,187
Grants and Entitlements	29,520,652	6,867,802	22,652,850
Interest	587,696	397,218	190,478
Gifts and Donations	638	1,823	(1,185)
Miscellaneous	118,654	185,263	(66,609)
Total General Revenues	<u>36,240,734</u>	<u>13,218,663</u>	<u>23,022,071</u>
Total Revenues	<u>38,429,235</u>	<u>15,132,717</u>	<u>23,296,518</u>
<u>Expenses:</u>			
Instruction:			
Regular	5,862,110	5,592,364	(269,746)
Special	1,267,648	1,112,656	(154,992)
Vocational	601,847	647,941	46,094
Support Services:			
Pupils	487,055	489,980	2,925
Instructional Staff	786,336	806,843	20,507
Board of Education	28,738	72,344	43,606
Administration	973,964	929,637	(44,327)
Fiscal	392,943	389,385	(3,558)
Operation and Maintenance of Plant	1,510,240	1,423,159	(87,081)
Pupil Transportation	827,087	857,045	29,958
Central	28,414	16,798	(11,616)
Non-Instructional Services	522,529	503,697	(18,832)
Extracurricular Activities	292,912	270,525	(22,387)
Interest and Fiscal Charges	703,614	690,719	(12,895)
Total Expenses	<u>14,285,437</u>	<u>13,803,093</u>	<u>(482,344)</u>
Increase in Net Assets	24,143,798	1,329,624	22,814,174
Net Assets at Beginning of Year	<u>13,185,427</u>	<u>11,855,803</u>	<u>1,329,624</u>
Net Assets at End of Year	<u>\$37,329,225</u>	<u>\$13,185,427</u>	<u>\$24,143,798</u>

Program revenues only represent approximately 6 percent of total revenues and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Program revenues remained very comparable to the prior fiscal year.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

With the exception of revenues received from the State for construction purposes, general revenues also remained very comparable to the prior fiscal year. Generally, property taxes and income taxes make up the balance of the School District's general revenues. Other revenue sources, such as interest, gifts and donations, and miscellaneous revenues are insignificant and somewhat unpredictable revenue sources.

Overall, expenses increased less than 4 percent from fiscal year 2006. The major program expense, as expected, is for instruction, which accounts for 54 percent of all expenses. The instruction category, however, does not include all activities associated with educating students as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education. These programs represent approximately 15 percent total expenses.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$5,862,110	\$5,592,364	\$5,430,135	\$5,399,551
Special	1,267,648	1,112,656	313,878	172,912
Vocational	601,847	647,941	481,680	533,259
Support Services:				
Pupils	487,055	489,980	476,174	477,480
Instructional Staff	786,336	806,843	786,336	806,843
Board of Education	28,738	72,344	28,738	72,344
Administration	973,964	929,637	973,964	929,637
Fiscal	392,943	389,385	392,943	389,385
Operation and Maintenance of Plant	1,510,240	1,423,159	1,510,240	1,432,159
Pupil Transportation	827,087	857,045	782,866	822,999
Central	28,414	16,798	19,414	7,798
Non-Instructional Services	522,529	503,697	21,227	(7,039)
Extracurricular Activities	292,912	270,525	175,727	169,992
Interest and Fiscal Charges	703,614	690,719	703,614	690,719
<b>Total Expenses</b>	<b>\$14,285,437</b>	<b>\$13,803,093</b>	<b>\$12,096,936</b>	<b>\$11,898,039</b>

The total cost of services and the net cost of services for fiscal year 2007 remained very comparable to fiscal year 2006. The dependence upon property and income tax revenues and unrestricted state entitlements continues to be significant. Only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. One of these programs is special instruction which provides for 75 percent of program costs through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Almost 96 percent of the non-instructional services program costs are provided for through program revenues. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Approximately 40 percent of extracurricular activities expenses are covered by program revenues. This is the result of music and athletic fees, ticket sales, and gate receipts.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates an increase in fund balance for all of the major funds. While the changes in the General Fund from the prior fiscal year were not significant, a 6.9 percent increase in revenues and a 5.2 percent increase in expenditures provided for the increase in fund balance. For the Bond Retirement fund, tax collections continue to exceed amounts required to make current debt payments. The Ohio School Facilities Commission Fund will be used to construct a new middle school and renovate the existing high school.

**General Fund Budgeting Highlights**

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

During fiscal year 2007, the School District amended its General Fund budget as needed. While there was very little change from the original budget to the final budget for revenues, there was a fairly significant change from the final budget to actual revenues, primarily related to intergovernmental revenues or generally State foundation resources. The School District is very conservative in its revenue projections. The original budget submitted to the Union County Auditor reflected the uncertainty of revenue from the State. Estimated revenues were increased as the year progressed to more closely reflect true revenues. Since over 56 percent of the General Fund's revenue comes from the State, the School District would rather be on the low side than to project too much.

For expenditures, the changes from the original budget to the final budget amounts and from the final budget to actual expenditures were not significant.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2007, the School District had \$18,552,822 invested in capital assets (net of accumulated depreciation), an increase of \$995,877, or over 5 percent. Additions included the start of constructing a new middle school building as well as an addition to the high school, a modular, and two new school buses. Disposals included two school buses. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**Debt**

The School District's outstanding debt at June 30, 2007, consisted of general obligation bonds, in the amount of \$12,424,298. During fiscal year 2007, the School District retired the loan obtained in fiscal year 2005 for construction purposes. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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**Current Issues**

As stated previously, the School District has many construction projects that are or will shortly be underway. These include a new middle school and renovations to the high school. These projects are being funded through the Ohio School Facilities Commission and the Permanent Improvement Fund. In addition, should the voters of the School District pass the 5.5 mill permanent improvement levy on March 4, 2008, the School District will then begin additional building projects.

The Board of Education entered into a negotiated agreement in June 2006 that will be in effect until June 2009. Classified employees will receive a per hour increase based on class of employee. Certified employees will receive a base increase dependent on salary scale. To assist in maintaining positive labor relations, the Board of Education and the NUEA have established a Labor Relations Committee to address concerns and find potential solutions.

On August 1, 2006, the School District welcomed our new superintendent, Mr. Richard D. Smith, Jr. Mr. Smith has entered his second year as Superintendent and has been very successful in leading the School District to address the needs of children in today's global economy.

The last issue that is currently facing North Union School District, and every other school district in the state of Ohio, is the current economic stability of the State and nation. We are continually monitoring market conditions and foreclosure information. Should we actually slide into a recession, it will have an affect on all our revenue sources. This could mean lower tax collection, budget cuts from the State, and lower investment earnings.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Scott Maruniak, CFO/Treasurer, North Union Local School District, 12920 State Route 739, Richwood, Ohio 43344.

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 14,568,883
Cash and Cash Equivalents with Fiscal Agent	16,484
Accounts Receivable	49,067
Accrued Interest Receivable	64,397
Intergovernmental Receivable	17,815,112
Income Taxes Receivable	718,364
Prepaid Items	29,474
Property Taxes Receivable	3,980,196
Nondepreciable Capital Assets	1,123,505
Depreciable Capital Assets, Net	<u>17,429,317</u>
Total Assets	<u>55,794,799</u>
 <u>Liabilities:</u>	
Accounts Payable	202,404
Contracts Payable	229,636
Accrued Wages and Benefits Payable	1,204,538
Matured Compensated Absences Payable	43,813
Intergovernmental Payable	317,170
Retainage Payable	6,994
Matured Bonds Payable	16,484
Separation Benefits Payable	5,000
Accrued Interest Payable	73,483
Deferred Revenue	3,304,183
Long-Term Liabilities:	
Due Within One Year	400,219
Due in More Than One Year	<u>12,661,650</u>
Total Liabilities	<u>18,465,574</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	6,481,751
Restricted For:	
Debt Service	1,972,417
Capital Projects	19,948,129
Other Purposes	423,892
Unrestricted	<u>8,503,036</u>
Total Net Assets	<u><u>\$ 37,329,225</u></u>

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 5,862,110	\$ 315,388	\$ 116,587	\$ -	\$ (5,430,135)
Special	1,267,648	3,350	950,420	-	(313,878)
Vocational	601,847	-	120,167	-	(481,680)
Support Services:					
Pupils	487,055	-	10,881	-	(476,174)
Instructional Staff	786,336	-	-	-	(786,336)
Board of Education	28,738	-	-	-	(28,738)
Administration	973,964	-	-	-	(973,964)
Fiscal	392,943	-	-	-	(392,943)
Operation and Maintenance of Plant	1,510,240	-	-	-	(1,510,240)
Pupil Transportation	827,087	-	24,786	19,435	(782,866)
Central	28,414	-	9,000	-	(19,414)
Non-Instructional Services	522,529	334,216	167,086	-	(21,227)
Extracurricular Activities	292,912	105,229	11,956	-	(175,727)
Interest and Fiscal Charges	703,614	-	-	-	(703,614)
Total Governmental Activities	<u>\$ 14,285,437</u>	<u>\$ 758,183</u>	<u>\$ 1,410,883</u>	<u>\$ 19,435</u>	<u>(12,096,936)</u>

General Revenues:

Property Taxes Levied for General Purposes	3,352,079
Property Taxes Levied for Classroom Facilities Maintenance Purposes	64,421
Property Taxes Levied for Debt Service Purposes	894,138
Property Taxes Levied for Permanent Improvement Purposes	136,816
Income Taxes Levied for General Purposes	1,565,640
Grants and Entitlements not Restricted to Specific Programs	29,520,652
Interest	587,696
Gifts and Donations	638
Miscellaneous	118,654
Total General Revenues	<u>36,240,734</u>
Change in Net Assets	24,143,798
Net Assets at Beginning of Year	13,185,427
Net Assets at End of Year	<u>\$ 37,329,225</u>

See Accompanying Notes to the Basic Financial Statements



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 9,807,173	\$ 1,907,754	\$ 1,485,186	\$ 1,347,306	\$ 14,547,419
Cash and Cash Equivalents with Fiscal Agent	-	16,484	-	-	16,484
Accounts Receivable	48,155	-	-	912	49,067
Accrued Interest Receivable	64,397	-	-	-	64,397
Intergovernmental Receivable	5,160	39	17,733,133	76,780	17,815,112
Income Taxes Receivable	718,364	-	-	-	718,364
Prepaid Items	3,455	-	-	26,019	29,474
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	21,464	-	-	-	21,464
Property Taxes Receivable	2,939,254	878,013	-	162,929	3,980,196
<b>Total Assets</b>	<b>13,607,422</b>	<b>2,802,290</b>	<b>19,218,319</b>	<b>1,613,946</b>	<b>37,241,977</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts Payable	187,635	-	-	14,769	202,404
Contracts Payable	-	-	218,848	10,788	229,636
Accrued Wages and Benefits Payable	1,092,262	-	-	112,276	1,204,538
Matured Compensated Absences Payable	43,813	-	-	-	43,813
Intergovernmental Payable	278,410	-	-	38,760	317,170
Retainage Payable	-	-	6,994	-	6,994
Matured Bonds Payable	-	16,484	-	-	16,484
Separation Benefits Payable	5,000	-	-	-	5,000
Deferred Revenue	2,657,006	753,189	17,733,133	137,123	21,280,451
<b>Total Liabilities</b>	<b>4,264,126</b>	<b>769,673</b>	<b>17,958,975</b>	<b>313,716</b>	<b>23,306,490</b>
<b>Fund Balances:</b>					
Reserved for Property Taxes	460,792	124,863	-	25,806	611,461
Reserved for Budget Stabilization	21,464	-	-	-	21,464
Reserved for Encumbrances	781,377	-	690,328	110,338	1,582,043
<b>Unreserved, Reported in:</b>					
General Fund	8,079,663	-	-	-	8,079,663
Special Revenue Funds	-	-	-	229,063	229,063
Debt Service Fund	-	1,907,754	-	-	1,907,754
Capital Projects Funds	-	-	569,016	935,023	1,504,039
<b>Total Fund Balances</b>	<b>9,343,296</b>	<b>2,032,617</b>	<b>1,259,344</b>	<b>1,300,230</b>	<b>13,935,487</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,607,422</b>	<b>\$ 2,802,290</b>	<b>\$ 19,218,319</b>	<b>\$ 1,613,946</b>	<b>\$ 37,241,977</b>

See Accompanying Notes to the Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007**

Total Governmental Fund Balances \$ 13,935,487

Amounts reported for governmental activities on the  
statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds. 18,552,822

Other long-term assets are not available to pay for current  
period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	25,712	
Accrued Interest Receivable	39,054	
Intergovernmental Receivable	17,733,133	
Income Taxes Receivable	113,618	
Property Taxes Receivable	<u>64,751</u>	
		17,976,268

Some liabilities are not due and payable in the current  
period and, therefore, are not reported in the funds:

Accrued Interest Payable	(73,483)	
General Obligation Bonds Payable	(12,424,298)	
Compensated Absences Payable	<u>(637,571)</u>	
		<u>(13,135,352)</u>

Net Assets of Governmental Activities \$ 37,329,225

See Accompanying Notes to the Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$ 3,367,922	\$ 897,282	\$ -	\$ 199,727	\$ 4,464,931
Income Taxes	1,547,385	-	-	-	1,547,385
Intergovernmental	7,526,290	106,428	4,605,242	965,628	13,203,588
Interest	533,176	-	21,341	3,489	558,006
Tuition and Fees	309,068	-	-	-	309,068
Extracurricular Activities	-	-	-	105,229	105,229
Charges for Services	-	-	-	334,216	334,216
Gifts and Donations	-	-	-	12,594	12,594
Miscellaneous	56,593	-	-	60,141	116,734
<b>Total Revenues</b>	<b>13,340,434</b>	<b>1,003,710</b>	<b>4,626,583</b>	<b>1,681,024</b>	<b>20,651,751</b>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	5,608,215	-	-	151,921	5,760,136
Special	958,415	-	-	288,505	1,246,920
Vocational	576,293	-	-	23,349	599,642
Support Services:					
Pupils	385,835	-	-	96,994	482,829
Instructional Staff	570,214	-	-	204,173	774,387
Board of Education	28,738	-	-	-	28,738
Administration	953,487	2,391	-	6,878	962,756
Fiscal	368,694	14,139	-	2,952	385,785
Operation and Maintenance of Plant	1,434,441	-	-	60,167	1,494,608
Pupil Transportation	835,030	-	-	-	835,030
Central	14,287	-	-	14,127	28,414
Non-Instructional Services	40	-	-	495,817	495,857
Extracurricular Activities	172,602	-	-	104,737	277,339
Capital Outlay	21,838	-	767,239	397,234	1,186,311
Debt Service:					
Principal Retirement	-	203,918	-	1,095,000	1,298,918
Interest and Fiscal Charges	-	688,724	-	34,414	723,138
<b>Total Expenditures</b>	<b>11,928,129</b>	<b>909,172</b>	<b>767,239</b>	<b>2,976,268</b>	<b>16,580,808</b>
Excess of Revenues Over (Under) Expenditures	1,412,305	94,538	3,859,344	(1,295,244)	4,070,943
<u>Other Financing Sources (Uses):</u>					
Transfers In	-	1,510,000	-	1,600,087	3,110,087
Transfers Out	(510,087)	-	(2,600,000)	-	(3,110,087)
<b>Total Other Financing Sources (Uses)</b>	<b>(510,087)</b>	<b>1,510,000</b>	<b>(2,600,000)</b>	<b>1,600,087</b>	<b>-</b>
Changes in Fund Balances	902,218	1,604,538	1,259,344	304,843	4,070,943
Fund Balances at Beginning of Year	8,441,078	428,079	-	995,387	9,864,544
<b>Fund Balances at End of Year</b>	<b>\$ 9,343,296</b>	<b>\$ 2,032,617</b>	<b>\$ 1,259,344</b>	<b>\$ 1,300,230</b>	<b>\$ 13,935,487</b>

See Accompanying Notes to the Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Changes in Fund Balances - Total Governmental Funds \$ 4,070,943

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on 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 capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	1,011,319	
Capital Outlay - Depreciable Capital Assets	356,013	
Depreciation	<u>(365,087)</u>	1,002,245

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Gain on Disposal of Capital Assets	2,850	
Loss on Disposal of Capital Assets	<u>(9,218)</u>	(6,368)

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

Property Taxes	(17,477)	
Income Taxes	18,255	
Intergovernmental	17,733,016	
Interest	32,100	
Tuition and Fees	9,670	
Miscellaneous	<u>(930)</u>	17,774,634

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

1,298,918

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Accrued Interest Payable	(28,200)	
Annual Accretion	(113,358)	
Payment on Accretion of Capital Appreciation Bonds	<u>161,082</u>	19,524

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(16,098)

Change in Net Assets of Governmental Activities

\$ 24,143,798

See Accompanying Notes to the Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$ 3,186,530	\$ 3,186,530	\$ 3,304,716	\$ 118,186
Income Taxes	1,320,009	1,264,769	1,444,417	179,648
Intergovernmental	6,637,721	6,625,688	7,526,290	900,602
Interest	330,273	422,996	540,321	117,325
Tuition and Fees	2,530	254,888	309,068	54,180
Miscellaneous	52,772	23,566	28,423	4,857
Total Revenues	<u>11,529,835</u>	<u>11,778,437</u>	<u>13,153,235</u>	<u>1,374,798</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,579,427	5,814,444	5,745,827	68,617
Special	883,328	974,207	974,195	12
Vocational	646,469	598,274	592,170	6,104
Support Services:				
Pupils	392,274	393,653	393,527	126
Instructional Staff	644,574	594,947	591,477	3,470
Board of Education	94,575	70,468	54,468	16,000
Administration	1,011,759	1,005,359	1,005,312	47
Fiscal	384,628	394,930	405,590	(10,660)
Operation and Maintenance of Plant	1,773,442	1,917,558	1,805,302	112,256
Pupil Transportation	956,477	946,706	905,630	41,076
Central	2,800	14,265	14,265	-
Extracurricular Activities	145,323	185,355	185,355	-
Capital Outlay	55,931	24,015	24,015	-
Total Expenditures	<u>12,571,007</u>	<u>12,934,181</u>	<u>12,697,133</u>	<u>237,048</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,041,172)</u>	<u>(1,155,744)</u>	<u>456,102</u>	<u>1,611,846</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	-	889	1,009	120
Advances In	-	8,000	8,000	-
Advances Out	(8,400)	(4,000)	-	4,000
Transfers Out	(472,795)	(510,087)	(510,087)	-
Total Other Financing Sources (Uses)	<u>(481,195)</u>	<u>(505,198)</u>	<u>(501,078)</u>	<u>4,120</u>
Changes in Fund Balance	(1,522,367)	(1,660,942)	(44,976)	1,615,966
Fund Balance at Beginning of Year	8,235,932	8,235,932	8,235,932	-
Prior Year Encumbrances Appropriated	703,699	703,699	703,699	-
Fund Balance at End of Year	<u>\$ 7,417,264</u>	<u>\$ 7,278,689</u>	<u>\$ 8,894,655</u>	<u>\$ 1,615,966</u>

See Accompanying Notes to the Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 71,308	\$ 73,480
<u>Liabilities:</u>		
Undistributed Assets	-	9,104
Due to Students	-	64,376
Total Liabilities	-	\$ 73,480
<u>Net Assets:</u>		
Held in Trust for Scholarships	19,217	
Endowment	52,091	
Total Net Assets	\$ 71,308	

See Accompanying Notes to the Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Additions:

Interest	\$ 2,294
Gifts and Donations	<u>9,341</u>
Total Additions	11,635

Deductions:

Non-Instructional	<u>8,910</u>
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Change in Net Assets 2,725

Net Assets at Beginning of Year 68,583

Net Assets at End of Year \$ 71,308

See Accompanying Notes to the Basic Financial Statements

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 354th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-five classified employees, one hundred five certified teaching personnel, and twelve administrative employees who provide services to 1,514 students and other community members. The School District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the North Union Local School District.

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Metropolitan Education Council, Tri-Rivers Joint Vocational School, Central Ohio Regional Professional Development Center, Central Ohio Special Educational Regional Resource Center, Ohio School Plan, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 19 and 20 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund accounts for the construction of two elementary schools, a middle school, and renovation of the high school.

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

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and payroll withholdings and deductions.

**C. Measurement Focus**

Government-Wide Financial Statements

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of 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; fiduciary funds use the full accrual basis of accounting. Differences in the accrual and 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 Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are 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 are reported as deferred revenue.

Expenses/Expenditures

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the Richwood Banking Company, who services the School District's bond/coupon account, are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2007, the School District invested in nonnegotiable certificates of deposit, which are reported at cost, federal agency securities, which are reported at fair value, and STAR Ohio. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2007 was \$533,176, which includes \$85,786 assigned from other School District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for budget stabilization.

**I. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, 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>Useful Lives</u>
Land Improvements	20 - 50 years
Buildings and Building Improvements	24 - 147 years
Furniture, Fixtures, and Equipment	8 - 75 years
Vehicles	10 - 40 years

**J. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On governmental fund financial 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 fund from which the employees who have accumulated unpaid leave are paid.

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

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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, compensated absences and separation benefits that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as liabilities on the fund financial statements when due.

**L. 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 balance of any borrowing 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2007, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves**

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

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

**N. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

**O. Estimates**

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

**Note 3 – Accountability and Compliance**

At June 30, 2007, the Title VI-B and Title I special revenue funds had deficit fund balances, in the amount of \$30,023 and \$29,707, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

During fiscal year 2007, budgetary expenditures exceeded appropriation authority at the fund level, which is the legal level of control, in the OSFC Fund and the Permanent Improvement Fund.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 4 - Budgetary Basis of Accounting (Continued)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$902,218
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	916,022
Accrued FY 2007, Not Yet Received in Cash	(1,118,324)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,416,287)
Accrued FY 2007, Not Yet Paid in Cash	1,607,120
Cash Adjustments:	
Unrecorded Activity FY 2006	(17,021)
Unrecorded Activity FY 2007	33,133
Prepaid Items	7,278
Advances In	8,000
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(967,115)
Budget Basis	(\$44,976)

**Note 5 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 5 - Deposits and Investments (Continued)**

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$758,667 of the School District's bank balance of \$2,042,780 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**Note 5 - Deposits and Investments (Continued)**

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments**

As of June 30, 2007, the School District had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$99,781	8/13/07
Federal Home Loan Bank Bonds	149,532	10/26/09
Federal Home Loan Bank Bonds	298,500	1/24/11
Federal Home Loan Bank Notes	99,875	10/21/08
Federal Home Loan Bank Notes	99,781	11/24/08
Federal Home Loan Bank Notes	497,345	12/29/10
Federal Home Loan Bank Notes	248,595	6/06/11
Federal Home Loan Bank Notes	99,406	12/28/11
Federal Home Loan Bank Notes	497,030	12/29/11
Federal Home Loan Bank Notes	198,626	1/26/12
Federal Home Loan Bank Notes	298,407	2/23/12
Federal Home Loan Bank Notes	98,656	3/23/12
Federal Home Loan Bank Notes	99,344	3/28/12
Federal Home Loan Bank Notes	496,095	4/30/12
Federal Home Loan Bank Notes	247,812	5/07/12
Federal Home Loan Bank Notes	99,594	6/27/12
Federal Home Loan Mortgage Corporation Notes	48,704	5/05/09
Federal Home Loan Mortgage Corporation Notes	148,676	12/19/11
Federal Home Loan Mortgage Corporation Notes	992,740	3/05/12
Federal National Mortgage Association Notes	495,470	3/21/12
STAR Ohio	7,488,134	38.56 days average
Total	\$12,802,103	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal Home Loan Bank Bonds and Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**Note 5 - Deposits and Investments (Continued)**

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank Bonds and Notes	\$3,628,379	28.34%
Federal Home Loan Mortgage Corporation	1,190,120	9.30
Federal National Mortgage Association	495,470	3.87

**Note 6 - Receivables**

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. 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 receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Reimbursement	\$5,000
Homestead and Rollback	160
Total General Fund	5,160
Bond Retirement	
Homestead and Rollback	39
Ohio Schools Facilities Commission	
Ohio Schools Facilities Commission	17,733,133
Total Major Funds	17,738,332
Nonmajor Funds	
Food Service	26,724
Miscellaneous State Grants	26,953
Special Education Idea B	15,623
Early Childhood Special Education	150
Title II-A	7,330
Total Nonmajor Funds	76,780
Total Intergovernmental Receivables	\$17,815,112

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 7 - Income Taxes**

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

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**Note 8 - Property Taxes (Continued)**

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected 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.

The amount available as an advance at June 30, 2007, was \$460,792 in the General Fund, \$8,516 in the Classroom Facilities Maintenance non-major special revenue fund, \$124,863 in the Bond Retirement debt service fund, and \$17,290 in the Permanent Improvement non-major capital projects fund. The amount available as an advance at June 30, 2006, was \$397,586 in the General Fund, \$2,868 in the Classroom Facilities Maintenance non-major special revenue fund, \$101,459 in the Bond Retirement debt service fund, and \$5,823 in the Permanent Improvement non-major capital projects fund.

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

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$107,247,190	87.93%	\$110,827,120	88.62%
Industrial/Commercial	5,358,760	4.39	5,321,040	4.25
Public Utility	7,922,420	6.50	7,941,870	6.35
Tangible Personal	1,438,361	1.18	971,340	.78
<b>Total Assessed Value</b>	<b>\$121,966,731</b>	<b>100.00%</b>	<b>\$125,061,370</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$41.40		\$41.25	

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$288,011	\$0	\$0	\$288,011
Construction in Progress	149,136	1,011,319	(324,961)	835,494
<b>Total Nondepreciable Capital Assets</b>	<b>437,147</b>	<b>1,011,319</b>	<b>(324,961)</b>	<b>1,123,505</b>

(continued)

**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**Note 9 - Capital Assets (Continued)**

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Depreciable Capital Assets				
Land Improvements	\$408,416	\$324,961	\$0	\$733,377
Buildings and Building Improvements	17,281,887	185,291	0	17,467,178
Furniture, Fixtures, and Equipment	747,246	33,272	0	780,518
Vehicles	1,128,483	137,450	(99,114)	1,166,819
Total Depreciable Capital Assets	<u>19,566,032</u>	<u>680,974</u>	<u>(99,114)</u>	<u>20,147,892</u>
Less Accumulated Depreciation				
Land Improvements	(30,233)	(12,561)	0	(42,794)
Buildings and Building Improvements	(1,530,043)	(204,706)	0	(1,734,749)
Furniture, Fixtures, and Equipment	(351,554)	(37,438)	0	(388,992)
Vehicles	(534,404)	(110,382)	92,746	(552,040)
Total Accumulated Depreciation	<u>(2,446,234)</u>	<u>(365,087)</u>	<u>92,746</u>	<u>(2,718,575)</u>
Depreciable Capital Assets, Net	<u>17,119,798</u>	<u>315,887</u>	<u>(6,368)</u>	<u>17,429,317</u>
Governmental Activities Capital Assets, Net	<u>\$17,556,945</u>	<u>\$1,327,206</u>	<u>(\$331,329)</u>	<u>\$18,552,822</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$123,648
Special	16,819
Vocational	4,543
Support Services:	
Pupils	920
Instructional Staff	13,379
Administration	10,148
Fiscal	2,720
Operation and Maintenance of Plant	28,495
Pupil Transportation	114,287
Non-Instructional Services	34,555
Extracurricular Activities	15,573
Total Depreciation Expense	<u>\$365,087</u>



**NORTH UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000

Coverage provided by The Netherlands Insurance Company is as follows:

Automobile Liability	1,000,000
Buildings and Contents - replacement cost	36,920,471

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

For fiscal year 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The School District participated in the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), a public entity shared risk pool consisting of eight school districts and the Champaign County and Delaware/Union County Educational Service Centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 11 - Significant Contractual Commitments**

The School District has several outstanding contracts for professional services. The following amounts remained on these contracts as of June 30, 2007:

Vendor	Contract Amount	Amount Paid as of 6/30/07	Outstanding Balance
B.C. & G. Weithman	\$234,900	\$0	\$234,900
CTL Engineering	60,000	9,282	50,718
Four Seasons Environmental	5,000	819	4,181
Gandee & Associates	22,000	5,380	16,620
Lawhon and Associates, Inc.	7,500	0	7,500
MKC Associates, Inc.	600,000	171,468	428,532
Seiler & Craig Surveying, Inc.	9,603	4,900	4,703
Total Environmental	109,675	0	109,675

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 12 - Defined Benefit Pension Plans (Continued)**

A DBP or CP member with five or more years of 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 DCP 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, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$747,355, \$719,486 and \$688,783, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$4,630 made by the School District and \$23,250 made by plan members.

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$172,586, \$159,940, and \$152,612, respectively; 47 percent has been contributed for the fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 13 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the 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 retirees who participated in the Defined Benefit Plan or the 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. 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$57,845.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$78,033 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty days for all employees. Upon retirement, payment is made for one-fourth of their accrued but unused sick leave credit to a maximum of forty days for all employees.

**B. Health Care Benefits**

The School District offers medical and dental insurance to all employees through the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Life insurance is offered to all employees through Unum Provident.

**C. Separation Benefits**

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

<u>Criteria</u>	<u>Cash Benefit</u>
55 or older and 25 years of service or 30 years of service	\$5,000
55 or older and 26 years of service or 31 years of service	\$3,000
55 or older and 27 years of service or 32 years of service	\$1,000

At June 30, 2007, the liability for separation benefits was \$5,000 for governmental activities. At June 30, 2006, there was no liability for separation benefits. The current separation benefit expires June 30, 2009.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**Note 15 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2003 General Obligation Bonds					
Serial Bonds 3-4.75%	\$6,220,000	\$0	\$0	\$6,220,000	\$0
Term Bonds 4.75-5.0%	5,475,000	0	0	5,475,000	0
Capital Appreciation Bonds	579,989	0	203,918	376,071	182,719
Accretion on Capital Appreciation	400,951	113,358	161,082	353,227	192,281
Total General Obligation Bonds	12,675,940	113,358	365,000	12,424,298	375,000
FY 2005 Building Loan	1,095,000	0	1,095,000	0	0
Compensated Absences	621,473	51,108	35,010	637,571	25,219
Total Governmental Activities Long-Term Obligations	<u>\$14,392,413</u>	<u>\$164,466</u>	<u>\$1,495,010</u>	<u>\$13,061,869</u>	<u>\$400,219</u>

FY 2003 General Obligation Bonds - On August 29, 2002, the School District issued general obligation bonds for constructing and renovating the School District's buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$6,945,000, \$5,475,000, and \$579,989, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2031. The bonds are being repaid from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years and principal amounts as follows:

Year	Amount
2023	\$575,000
2024	605,000
2025	635,000
2026	665,000

The remaining principal, in the amount of \$695,000, will be paid at stated maturity on December 1, 2027.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 15 - Long-Term Obligations (Continued)**

The term bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years and in principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2028	\$730,000
2029	765,000

The remaining principal, in the amount of \$805,000, will be paid at stated maturity on December 1, 2030.

The serial bonds maturing after December 1, 2012, are subject to optional redemption, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2012, at the redemption prices set forth below plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 1, 2012, and thereafter	100%

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2007, 2008, and 2009. The maturity amount of the bonds is \$1,195,000. For fiscal year 2007, \$113,358 was accreted and \$365,000 was retired for a total bond value of \$729,298 at fiscal year end.

FY 2005 Building Loan - On June 29, 2005, the School District obtained a loan, in the amount of \$1,100,000 for the high school renovation project. The loan was obtained under the authority of Ohio Revised Code 3313.375. The loan was obtained for a thirty year period with final maturity in fiscal year 2035. The loan was fully retired in fiscal year 2007 from the Permanent Improvement non-major capital projects fund.

Compensated absences will be paid from the General Fund and the Food Service non-major special revenue fund.

The School District's overall debt margin was (\$902,968) with an unvoted debt margin of \$124,090 at June 30, 2007. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its voted limitation because it has been designated as a "special needs" school district.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**Note 15 - Long-Term Obligations (Continued)**

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital	Interest	Total
2008	\$0	\$0	\$182,719	\$719,923	\$902,642
2009	0	0	193,352	789,290	982,642
2010	465,000	0	0	519,970	984,970
2011	490,000	0	0	503,600	993,600
2012	350,000	0	0	488,515	838,515
2013-2017	1,955,000	0	0	2,223,551	4,178,551
2018-2022	2,410,000	0	0	1,750,909	4,160,909
2023-2027	550,000	2,480,000	0	1,113,650	4,143,650
2028-2032	0	2,995,000	0	307,756	3,302,756
	<u>\$6,220,000</u>	<u>\$5,475,000</u>	<u>\$376,071</u>	<u>\$8,417,164</u>	<u>\$20,488,235</u>

**Note 16 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2007.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2006	(\$1,287,134)	(\$14,420,660)	\$21,464
Current Year Set Aside Requirement	224,915	224,915	0
Qualifying Expenditures	(429,280)	(3,287,424)	0
Balance June 30, 2007	<u>(\$1,491,499)</u>	<u>(\$17,483,169)</u>	<u>\$21,464</u>



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 16 - Set Asides (Continued)**

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years.

**Note 17 - Interfund Transfers**

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$510,087; \$510,000 to subsidize activities in other funds. The Ohio Schools Facilities Commission capital projects fund made transfers to the Bond Retirement debt service fund and other governmental funds, in the amounts of \$1,510,000 and \$1,090,000, respectively, to move receipts as debt payments became due.

**Note 18 - Donor Restricted Endowments**

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$52,091 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$19,217 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**Note 19 - Jointly Governed Organizations**

**A. Metropolitan Education Council**

The Metropolitan Education Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC.

The School District also participates in the Metropolitan Education Council (MEC) computer consortium. This is an association of public school districts within the boundaries of Franklin, Union, Madison, Pickaway, and Fairfield Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of the MEC computer consortium consists of the superintendent, his designee, or a member of the board of education of each participating school district, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. During fiscal year 2007, the School District paid \$51,762 to the MEC for various services. Financial information for both the purchasing cooperative and computer consortium can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 19 - Jointly Governed Organizations (Continued)**

**B. Tri-Rivers Joint Vocational School**

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

**C. Central Ohio Regional Professional Development Center**

The Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Delaware, Licking, Franklin, Madison, Pickaway, and Union Counties. The center was formed to advance the State Board of Education's mission that all students can learn by creating a high performance system of education. The Center's purpose is to provide long-term ongoing meaningful professional development for all educators and school support personnel. The Center is governed by a twenty-two member Board made up of representatives from the participating school districts, the business community, and three institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

**D. Central Ohio Special Education Regional Resource Center**

The Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a one hundred five member board including the superintendent from the eighty-nine participating school districts, two representatives from a non-public school, six representatives from participating educational service centers, two representatives from the Department of Youth Services, five representatives from special education facilities, and one parent of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from Central Ohio Special Education Regional Resource Center, 470 Glenmont Avenue, Columbus, Ohio 43214.

**Note 20 - Insurance Pools**

**A. Ohio School Plan**

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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**Note 20 - Insurance Pools (Continued)**

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

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

**C. Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust**

The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), is a public entity shared risk pool consisting of eight school districts and the Madison/Champaign County and Delaware/Union County Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust, Huntington Center HC1142, Columbus, Ohio, 43287.

**Note 21 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Union County Farm Service Agency</i>						
Direct and Counter-Cyclical Payments Program	N/A	10.055	\$ 776	\$ -	\$ 776	\$ -
<i>Passed Through the Ohio Department of Education</i>						
Food Donation	N/A	10.550	-	23,188	-	23,188
Child Nutrition Cluster:						
School Breakfast Program	050336-05PU-2007	10.553	1,472	-	1,472	-
National School Lunch Program	050336-LLP4-2006 050336-LLP4-2007	10.555	17,425 117,772	- -	17,425 117,772	- -
Total National School Lunch Program			135,197	-	135,197	-
Total Child Nutrition Cluster			136,669	-	136,669	-
<b>Total U.S. Department of Agriculture</b>			<b>137,445</b>	<b>23,188</b>	<b>137,445</b>	<b>23,188</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	050336-6BSF-2006 050336-6BSF-2007	84.027	25,171 289,601	- -	37,641 283,273	- -
Total Special Education Grants to States			314,772	-	320,914	-
Special Education Preschool Grants	050336-PGS1-2007	84.173	5,749	-	5,749	-
Total Special Education Cluster			320,521	-	326,663	-
Title I Grants to Local Educational Agencies	050336-C1S1-2006 050336-C1S1-2007	84.010	12,073 236,607	- -	20,880 221,657	- -
Total Title I Grants to Local Educational Agencies			248,680	-	242,537	-
State Grants for Innovative Programs	050336-C2S1-2007	84.298	2,047	-	2,047	-
Improving Teacher Quality State Grants	050336-TRS1-2005 050336-TRS1-2006 050336-TRS1-2007	84.367	- 3,978 64,305	- - -	88 8,353 57,986	- - -
Total Improving Teacher Quality State Grants			68,283	-	66,427	-
Safe and Drug-Free Schools and Communities State Grants	050336-DRS1-2006 050336-DRS1-2007	84.186	- 5,754	- -	4,226 2,168	- -
Total Safe and Drug-Free Schools and Communities State Grants			5,754	-	6,394	-
Hurricane Education Recovery	050336-HR01-2007	84.938	7,000	-	7,000	-
Education Technology State Grants	050336-TJS1-2006	84.318	2,461	-	2,461	-
<b>Total U.S. Department of Education</b>			<b>654,746</b>	<b>-</b>	<b>653,529</b>	<b>-</b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<b>\$ 792,191</b>	<b>\$ 23,188</b>	<b>\$ 790,974</b>	<b>\$ 23,188</b>

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

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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 non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 28, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 28, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 28, 2008





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the North Union Local School District, Union County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. 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 each 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 could 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 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 North Union Local School District, Union County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

February 28, 2008

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States CFDA #84.173 – Special Education Preschool Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2007-001</b>
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**Noncompliance  
Budgetary Expenditures Exceed Appropriation Authority**

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Board.

Budgetary expenditures exceeded appropriation authority at the fund level, which is the legal level of control in the following funds:

Date	Fund	Appropriations	Expenditures	Difference
1/31/07	OSFC Fund	\$ 153,953	\$ 201,810	\$ (47,857)
2/28/07	OSFC Fund	161,453	227,034	(65,581)
5/31/07	Permanent Improvement Fund	537,693	1,585,892	(1,048,198)

We recommend the District closely monitor budgeted versus actual expenditure reports throughout the year to ensure expenditures do not exceed appropriations. In order to keep expenditures within appropriated amounts, the Board may consider amending appropriations or implementing cost-cutting measures to limit the District's expenditures.

**Officials' Response**

This will be monitored more closely to ensure that the appropriations are approved by the Board of Education. The Board was in fact aware of these expenditures; however, I had not made the appropriate changes to the appropriations.

<b>Finding Number</b>	<b>2007-002</b>
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**Significant Deficiency  
Extracurricular Activities – Maintaining Supporting Documentation**

The District's Activity Account Handbook states, in part, "all money collected from any source should be substantiated by pre-numbered student activity group receipts, cash registers supplying cumulative readings, pre-numbered tickets or other auditable, checkable records. In all cases where tickets are used, tickets reports and unsold tickets must be available for audit."

During fiscal year 2007, the District maintained Sales Project Proposal Forms. However, for supporting documentation, certain forms did not have a list of receipts or copies of receipts attached. Additionally, certain pay in receipts were not signed by the advisor.

Failure to maintain sufficient supporting documentation could lead to errors or irregularities, including potential inaccurate reporting of revenues or unrecorded revenues, that go undetected by management.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-002 (Continued)</b>
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**Extracurricular Activities – Maintaining Supporting Documentation (Continued)**

We recommend the District maintain supporting documentation for all extracurricular activities, including lists and copies of pre-numbered receipts or other auditable records to support all fund raiser receipts to ensure proper accountability over all District assets.

**Officials’ Response**

It is of my opinion that this information needs to be kept by the activity advisor and is to be presented should the auditor request the information. We have a project potential form that is retained within the Treasurer’s Office.

<b>Finding Number</b>	<b>2007-003</b>
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**Significant Deficiency  
Budgetary Posting – Estimated Revenue**

The Board should post to its revenue ledger, the estimated revenue as certified to the County Budget Commission to allow for monitoring of budget versus actual revenue.

In fiscal year 2007, the estimated revenue posted to the District’s accounting system varied from the amounts certified by the County Budget Commission.

While the District did report the estimated revenue certified by the budget commission on the financial statements, the failure to accurately post budgeted amounts could result in an inability to:

- Effectively monitor budgeted versus actual receipts
- Detect possible errors or irregularities
- Accurately reflect the budgeted amounts in the financial statements

Estimated revenue posted to the revenue ledger compared to estimated revenue certified by the County Budget Commission is as follows:

Fund	Estimated Revenue Posted	Estimated Revenue Certified by Budget Commission	Variance
General Fund (July 31, 2006 – May 31, 2007)	12,531,012	11,535,389	995,623
General Fund (at June 30, 2007)	12,791,492	11,535,389	1,256,103

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2007-003 (Continued)</b>
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**Budgetary Posting – Estimated Revenue (Continued)**

We recommend that the Treasurer accurately post to the revenue ledger estimated revenue as approved by the Board and certified to the County Budget Commission.

**Officials' Response**

In the past as long as the District reported more revenue than expenses on our Estimate of Available Resources everything was satisfactory.

<b>Finding Number</b>	<b>2007-004</b>
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**Significant Deficiency  
Monitoring Budget Versus Actual Information**

The Board approves a monthly financial packet which includes a manual spreadsheet of budget and actual receipts and expenditures information for the General Fund. However, the Board does not review or approve system generated reports (i.e. Revenue Summary Reports and Appropriation Summary Reports) that would indicate budget and actual information for all the District's funds.

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

Failure to monitor budget and actual activity for all funds increases the likelihood that errors or irregularities, if they occur, may go undetected.

We recommend the Board review monthly Revenue Summary Reports and Appropriation Summary Reports, which are systems generated reports that show budget and actual information for all funds. Monitoring monthly budget versus actual receipts and expenditures ensures that expenditures are being made in accordance with the approved budget and receipts are being received in accordance with the Certificate of Estimated Resources.

**Officials' Response**

I will talk to the Board of Education and present this information. However, I believe that the Board already has sufficient information in the current Financial Statements presented to them on a monthly basis.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**None**



**Mary Taylor, CPA**  
Auditor of State

**NORTH UNION LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 20, 2008**