



Dave Yost • Auditor of State

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents 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 also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 19, 2015

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Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Union Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position increased \$652,252.
- General revenues accounted for \$11,395,296 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$3,998,635 or 26 percent of total revenues in the amount of \$15,393,931.
- Total assets increased \$531,230, primarily due to increases in cash and cash equivalents as the School District continues to monitor spending, and intergovernmental receivables, which were offset by annual depreciation of capital assets. Total liabilities decreased \$155,039 primarily due to annual debt service payments on long-term obligations, as well as decreased matured severance payable, and intergovernmental payables, which were offset by increases in accounts payable.
- The School District had \$14,741,679 in expenses related to governmental activities; only \$3,998,635 of these expenses were offset by program specific charges for services, and operating grants and contributions. General revenues in the amount of \$11,395,296 were adequate to provide for these programs.
- Total Governmental funds had \$15,356,620 in revenues and \$14,277,207 in expenditures. Overall, including other financing sources and uses, total Governmental funds' balance increased \$1,079,413.

Using this Annual Financial Report

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

The *Statement of Net Position* and *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 longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund and the Debt Service Fund are the only major or significant funds.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the 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 Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities:

- Governmental Activities – The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, debt service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

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

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported as agency funds. The School District's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position
Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$7,331,590	\$6,153,820	\$1,177,770
Capital Assets	12,289,408	12,935,948	(646,540)
Total Assets	19,620,998	19,089,768	531,230
Liabilities			
Long-Term Liabilities	2,445,076	2,626,344	(181,268)
Other Liabilities	1,787,566	1,761,337	26,229
Total Liabilities	4,232,642	4,387,681	(155,039)
Deferred Inflows of Resources			
Property Taxes	3,167,862	3,133,845	34,017
Net Position			
Net Investment in Capital Assets	10,660,983	11,018,384	(357,401)
Restricted	1,572,499	1,340,578	231,921
Unrestricted (Deficit)	(12,988)	(790,720)	777,732
Total Net Position	\$12,220,494	\$11,568,242	\$652,252

Total assets increased \$531,230, primarily due to increases in cash and cash equivalents as the School District continues to monitor spending, and intergovernmental receivables, which were offset by annual depreciation of capital assets.

Total liabilities decreased \$155,039 primarily due to annual debt service payments on long-term obligations, as well as decreased matured severance payable, and intergovernmental payables, which were offset by increases in accounts payable.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013.

Table 2
 Changes in Net Position
 Governmental Activities

	2014	2013	Change
Revenues			
<i>Program Revenue</i>			
Charges for Services	\$1,623,380	\$1,666,245	(\$42,865)
Operating Grants	2,375,255	1,869,034	506,221
Total Program Revenue	3,998,635	3,535,279	463,356
<i>General Revenue</i>			
Property Taxes	3,483,038	3,313,018	170,020
Grants and Entitlements	7,699,706	8,205,929	(506,223)
Gifts and Donations	27,571	19,702	7,869
Investments	8,283	5,055	3,228
Miscellaneous	176,698	158,792	17,906
Total General Revenue	11,395,296	11,702,496	(307,200)
Total Revenues	15,393,931	15,237,775	156,156
Program Expenses			
Instruction:			
Regular	6,835,603	6,834,269	1,334
Special	2,015,058	1,999,396	15,662
Vocational	442,901	501,999	(59,098)
Student Intervention Services	0	2,501	(2,501)
Support Services:			
Pupil	535,506	550,150	(14,644)
Instructional Staff	334,646	366,526	(31,880)
Board of Education	85,564	70,751	14,813
Administration	1,081,877	1,020,163	61,714
Fiscal	366,919	326,392	40,527
Operation and Maintenance of Plant	1,278,509	1,132,160	146,349
Pupil Transportation	848,080	798,865	49,215
Central	46,642	40,348	6,294
Operation of Non-Instructional Services	74,970	2,619	72,351
Food Service Operations	425,450	431,928	(6,478)
Extracurricular Activities	303,165	304,433	(1,268)
Interest and Fiscal Charges	66,789	92,515	(25,726)
Total Expenses	14,741,679	14,475,015	266,664
Change in Net Position	652,252	762,760	(110,508)
Restatement - (Note 3)	0	40,398	(40,398)
Net Position Beginning of Year - Restated (Note 3)	11,568,242	10,765,084	803,158
Net Position End of Year	\$12,220,494	\$11,568,242	\$652,252

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

Property taxes comprise approximately 23 percent of revenues for the School District in fiscal year 2014.

Instruction comprises approximately 63 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2014 compared to fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$6,835,603	\$6,834,269	\$5,170,341	\$5,051,093
Special	2,015,058	1,999,396	904,725	1,512,097
Vocational	442,901	501,999	321,469	402,718
Student Intervention Services	0	2,501	0	(74)
Support Services				
Pupil	535,506	550,150	472,739	401,120
Instructional Staff	334,646	366,526	206,829	192,508
Board of Education	85,564	70,751	85,564	70,751
Administration	1,081,877	1,020,163	860,680	813,441
Fiscal	366,919	326,392	319,238	278,487
Operation and Maintenance of Plant	1,278,509	1,132,160	1,223,009	1,050,087
Pupil Transportation	848,080	798,865	815,331	777,658
Central	46,642	40,348	46,642	38,862
Operation of Non-Instructional Services	74,970	2,619	72,028	(153)
Food Service Operations	425,450	431,928	(22,639)	23,116
Extracurricular Activities	303,165	304,433	200,299	235,510
Interest and Fiscal Charges	66,789	92,515	66,789	92,515
Total Expenses	\$14,741,679	\$14,475,015	\$10,743,044	\$10,939,736

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 73 percent of program expenses are supported through taxes and other general revenues.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The School District has two major funds, the General Fund and the Debt Service Fund. The General Fund had \$13,224,324 in revenues and \$12,310,887 in expenditures. Including other financing sources and uses, the General Fund's balance increased \$825,196. The Debt Service Fund had revenues in the amount of \$375,818 and expenditures in the amount of \$313,725, which resulted in a fund balance increase in the amount of \$62,093.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflect an overall increase revenue estimates. Changes between the original and the final appropriations were not significant. The actual results of operations were slightly different than budgeted amounts as spending in almost all categories was lower than budgeted appropriations; the difference between actual revenues and final estimates were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$12,289,408 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 4 shows fiscal year 2014 balances compared to 2013:

Table 4
Capital Assets Net of Depreciation
Government Activities

	2014	2013
Land	\$1,842,760	\$1,842,760
Construction in Progress	9,757	9,757
Land Improvements - Depreciable	126,422	135,845
Buildings and Improvements	9,954,707	10,565,707
Furniture, Fixtures, and Equipment	54,386	76,886
Vehicles	301,376	304,993
Totals	\$12,289,408	\$12,935,948

For more information on capital assets see Note 9 to the basic financial statements.

Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt

At June 30, 2014, the School District had \$1,415,046 outstanding in general obligation bonds, including premiums, accretion of interest with \$275,000 due within one year. The School District also had \$421,843 outstanding in capital leases with \$71,200 due within one year.

Table 5 summarizes bonds and capital leases outstanding:

Table 5		
Outstanding Debt at Year End		
Government Activities		
	2014	2013
2007 Refunding Bonds		
Serial/Term Bonds	\$880,000	\$1,145,000
Capital Appreciation Bonds	264,996	264,996
Accretion of Interest on CABs	208,464	171,575
Bond Premium	61,586	74,328
Capital Leases	421,843	433,240
Total	\$1,836,889	\$2,089,139

See Note 15 for more detailed information on the School District's debt.

Economic Factors

The School District has benefited economically from the continuing expansion of the oil and gas industry in Belmont County. The School District has entered into gas and oil leases on its property located in Union, Goshen and Smith Townships. The School District has received, or is due to receive, signing bonuses as part of the lease agreements. In addition, the School District has the potential to receive royalty payments in accordance with the leases. See Contingency Note 20 for further details on the School District's oil and gas leases.

In addition to the increases in property tax revenue that the School District is receiving as a result of increased assessed valuation related to the development of the oil and gas industry, ancillary businesses have been constructed, or are in the process of being constructed, within the School District. These new constructions allow for new and increased tax revenue opportunities.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Janet S. Hissrich, Treasurer/CFO at Union Local School District, 66779 Belmont-Morristown Road, Belmont, Ohio 43718.

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Union Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,983,985
Accounts Receivable	1,049
Intergovernmental Receivable	459,128
Materials and Supplies Inventory	44,006
Property Taxes Receivable	3,843,422
Non-Depreciable Capital Assets	1,852,517
Depreciable Capital Assets, Net	<u>10,436,891</u>
<i>Total Assets</i>	<u>19,620,998</u>
Liabilities	
Accrued Wages and Benefits Payable	1,241,717
Intergovernmental Payable	276,380
Accounts Payable	190,751
Matured Severance Payable	76,585
Accrued Interest Payable	2,133
Long-Term Liabilities:	
Due Within One Year	457,372
Due In More Than One Year	<u>1,987,704</u>
<i>Total Liabilities</i>	<u>4,232,642</u>
Deferred Inflows of Resources	
Property Taxes	<u>3,167,862</u>
Net Position (Deficit)	
Net Investment in Capital Assets	10,660,983
Restricted for:	
Capital Projects	43,721
Debt Service	942,183
Classroom Facilities Maintenance	214,332
Local Programs	65,949
State Programs	13,490
Federal Programs	196,952
Food Service	84,872
Other Purposes	11,000
Unrestricted	<u>(12,988)</u>
<i>Total Net Position</i>	<u><u>\$12,220,494</u></u>

See accompanying notes to the basic financial statements

Union Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$6,835,603	\$1,390,199	\$275,063	(\$5,170,341)
Special	2,015,058	0	1,110,333	(904,725)
Vocational	442,901	0	121,432	(321,469)
Support Services:				
Pupil	535,506	0	62,767	(472,739)
Instructional Staff	334,646	0	127,817	(206,829)
Board of Education	85,564	0	0	(85,564)
Administration	1,081,877	0	221,197	(860,680)
Fiscal	366,919	0	47,681	(319,238)
Operation and Maintenance of Plant	1,278,509	4,015	51,485	(1,223,009)
Pupil Transportation	848,080	0	32,749	(815,331)
Central	46,642	0	0	(46,642)
Operation of Non-Instructional Services	74,970	0	2,942	(72,028)
Food Service Operations	425,450	126,300	321,789	22,639
Extracurricular Activities	303,165	102,866	0	(200,299)
Interest and Fiscal Charges	66,789	0	0	(66,789)
<i>Total Governmental Activities</i>	<u>\$14,741,679</u>	<u>\$1,623,380</u>	<u>\$2,375,255</u>	<u>(10,743,044)</u>
General Revenues				
Property Taxes Levied for General Purposes				3,103,641
Property Taxes Levied for Debt Service				326,727
Property Taxes Levied for Classroom Facilities Maintenance				52,670
Grants and Entitlements not Restricted to Specific Programs				7,699,706
Gifts and Donations				27,571
Investment Earnings				8,283
Miscellaneous				176,698
<i>Total General Revenues</i>				<u>11,395,296</u>
Change in Net Position				652,252
<i>Net Position Beginning of Year - Restated (Note 3)</i>				<u>11,568,242</u>
<i>Net Position End of Year</i>				<u>\$12,220,494</u>

See accompanying notes to the basic financial statements

Union Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,373,694	\$878,758	\$720,533	\$2,972,985
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,000	0	0	11,000
Receivables:				
Property Taxes	3,428,836	363,583	51,003	3,843,422
Accounts	1,049	0	0	1,049
Intergovernmental	162,305	0	296,823	459,128
Interfund	81,840	0	0	81,840
Materials and Supplies Inventory	15,426	0	28,580	44,006
<i>Total Assets</i>	<u>\$5,074,150</u>	<u>\$1,242,341</u>	<u>\$1,096,939</u>	<u>\$7,413,430</u>
Liabilities				
Accounts Payable	\$176,216	\$0	\$14,535	\$190,751
Accrued Wages and Benefits	1,130,153	0	111,564	1,241,717
Matured Severance Payable	76,585	0	0	76,585
Interfund Payable	0	0	81,840	81,840
Intergovernmental Payable	254,372	0	22,008	276,380
<i>Total Liabilities</i>	<u>1,637,326</u>	<u>0</u>	<u>229,947</u>	<u>1,867,273</u>
Deferred Inflows of Resources				
Property Taxes	2,829,229	298,025	40,608	3,167,862
Unavailable Revenue	390,754	26,333	234,627	651,714
<i>Total Deferred Inflows of Resources</i>	<u>3,219,983</u>	<u>324,358</u>	<u>275,235</u>	<u>3,819,576</u>
Fund Balances (Deficit)				
Nonspendable:				
Inventories	15,426	0	28,580	44,006
Restricted for:				
Capital Outlay	0	0	43,721	43,721
Debt Service	0	917,983	0	917,983
Classroom Facilities Maintenance	0	0	209,879	209,879
Local Programs	0	0	65,949	65,949
State Programs	0	0	13,490	13,490
Food Service Operations	0	0	56,292	56,292
Underground Storage Tank Premium	11,000	0	0	11,000
Committed to Capital Projects	0	0	207,068	207,068
Assigned to Purchases on Order	280,270	0	0	280,270
Unassigned	(89,855)	0	(33,222)	(123,077)
<i>Total Fund Balances</i>	<u>216,841</u>	<u>917,983</u>	<u>591,757</u>	<u>1,726,581</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$5,074,150</u>	<u>\$1,242,341</u>	<u>\$1,096,939</u>	<u>\$7,413,430</u>

See accompanying notes to the basic financial statements

Union Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014*

Total Governmental Fund Balances \$1,726,581

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 12,289,408

Other long-term assets are not available to pay for current-
period expenditures and therefore are reported as deferred inflows of resources in the funds:

Intergovernmental	230,174
Property Taxes	267,622
Tuition and Fees	<u>153,918</u>

Total 651,714

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas
in the governmental funds, an interest expenditure is reported when due. (2,133)

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

General Obligation Serial Bonds	880,000
General Obligation Capital Appreciation Bonds	264,996
Capital Appreciation Bond Accretion	208,464
Bond Premium	61,586
Capital Leases	421,843
Compensated Absences	<u>608,187</u>

Total (2,445,076)

Net Position of Governmental Activities \$12,220,494

See accompanying notes to the basic financial statements

Union Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,131,652	\$330,164	\$52,993	\$3,514,809
Intergovernmental	8,523,031	45,654	1,437,337	10,006,022
Interest	7,752	0	531	8,283
Tuition and Fees	1,389,357	0	0	1,389,357
Extracurricular Activities	4,752	0	98,114	102,866
Rent	4,015	0	0	4,015
Gifts and Donations	454	0	27,117	27,571
Charges for Services	699	0	126,300	126,999
Miscellaneous	162,612	0	14,086	176,698
<i>Total Revenues</i>	<u>13,224,324</u>	<u>375,818</u>	<u>1,756,478</u>	<u>15,356,620</u>
Expenditures				
Current:				
Instruction:				
Regular	6,126,396	0	248,524	6,374,920
Special	1,517,350	0	415,496	1,932,846
Vocational	419,558	0	0	419,558
Support Services:				
Pupil	467,975	0	56,365	524,340
Instructional Staff	197,899	0	116,877	314,776
Board of Education	85,564	0	0	85,564
Administration	824,732	0	233,524	1,058,256
Fiscal	347,235	8,225	1,305	356,765
Operation and Maintenance of Plant	1,227,988	0	39,056	1,267,044
Pupil Transportation	767,551	0	41,534	809,085
Central	46,406	0	0	46,406
Operation of Non-Instructional Services	72,376	0	2,594	74,970
Food Service Operations	0	0	384,248	384,248
Extracurricular Activities	190,718	0	82,975	273,693
Capital Outlay	4,800	0	30,097	34,897
Debt Service:				
Principal Retirement	11,397	265,000	0	276,397
Interest and Fiscal Charges	2,942	40,500	0	43,442
<i>Total Expenditures</i>	<u>12,310,887</u>	<u>313,725</u>	<u>1,652,595</u>	<u>14,277,207</u>
<i>Excess of Revenues Over Expenditures</i>	<u>913,437</u>	<u>62,093</u>	<u>103,883</u>	<u>1,079,413</u>
Other Financing Sources (Uses)				
Transfers In	0	0	95,161	95,161
Transfers Out	(88,241)	0	(6,920)	(95,161)
<i>Total Other Financing Sources (Uses)</i>	<u>(88,241)</u>	<u>0</u>	<u>88,241</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	825,196	62,093	192,124	1,079,413
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>(608,355)</u>	<u>855,890</u>	<u>399,633</u>	<u>647,168</u>
<i>Fund Balances End of Year</i>	<u>\$216,841</u>	<u>\$917,983</u>	<u>\$591,757</u>	<u>\$1,726,581</u>

See accompanying notes to the basic financial statements

Union Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$1,079,413

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

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

Capital Assets Additions	41,267	
Depreciation	(687,807)	
Total	(646,540)	(646,540)

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

Intergovernmental	68,939	
Property Taxes	(31,771)	
Tuition and Fees	143	
Total	37,311	37,311

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

General Obligation Bonds	265,000	
Capital Leases	11,397	
Total	276,397	276,397

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of activities

Accrued Interest	800	
Accretion on Capital Appreciation Bonds	(36,889)	
Total	(36,089)	(36,089)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the statement of activities. 12,742

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (70,982)

Compensated Absences	(70,982)	
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Changes in Net Position of Governmental Activities \$652,252

See accompanying notes to the basic financial statements

Union Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$3,030,000	\$3,134,313	\$3,134,313	\$0
Intergovernmental	8,297,128	8,546,746	8,546,746	0
Interest	7,526	7,037	7,752	715
Tuition and Fees	1,348,779	1,389,357	1,389,357	0
Extracurricular Activities	5,827	6,002	6,002	0
Rent	3,558	3,665	3,665	0
Gifts and Donations	440	454	454	0
Miscellaneous	160,786	165,623	165,623	0
<i>Total Revenues</i>	<u>12,854,044</u>	<u>13,253,197</u>	<u>13,253,912</u>	<u>715</u>
Expenditures				
Current:				
Instruction:				
Regular	6,509,376	6,253,314	6,202,199	51,115
Special	1,699,576	1,635,026	1,619,373	15,653
Vocational	499,046	477,489	475,496	1,993
Support Services:				
Pupil	476,027	458,209	453,563	4,646
Instructional Staff	248,126	237,230	236,417	813
Board of Education	123,139	107,960	117,328	(9,368)
Administration	880,063	837,860	838,533	(673)
Fiscal	362,328	327,458	345,230	(17,772)
Operation and Maintenance of Plant	1,284,147	1,203,703	1,223,548	(19,845)
Pupil Transportation	826,120	791,202	787,135	4,067
Central	48,041	45,896	45,774	122
Operation of Non-Instructional Services	75,961	72,376	72,376	0
Extracurricular Activities	208,072	206,616	198,253	8,363
Capital Outlay	5,038	4,800	4,800	0
<i>Total Expenditures</i>	<u>13,245,060</u>	<u>12,659,139</u>	<u>12,620,025</u>	<u>39,114</u>
Excess of Revenues Over Expenditures	<u>(391,016)</u>	<u>594,058</u>	<u>633,887</u>	<u>39,829</u>
Other Financing Sources (Uses)				
Advances In	11,486	11,486	11,486	0
Advances Out	0	(81,840)	(81,840)	0
Transfers Out	0	(1,121,192)	(88,241)	1,032,951
Total Other Financing Sources (Uses)	<u>11,486</u>	<u>(1,191,546)</u>	<u>(158,595)</u>	<u>1,032,951</u>
<i>Net Change in Fund Balance</i>	(379,530)	(597,488)	475,292	1,072,780
<i>Fund Balance Beginning of Year</i>	390,516	390,516	390,516	0
Prior Year Encumbrances Appropriated	<u>223,591</u>	<u>223,591</u>	<u>223,591</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$234,577</u></u>	<u><u>\$16,619</u></u>	<u><u>\$1,089,399</u></u>	<u><u>\$1,072,780</u></u>

See accompanying notes to the basic financial statements

Union Local School District
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$25,666	\$39,336
Liabilities		
Undistributed Monies	0	\$2,495
Due to Students	0	36,841
<i>Total Liabilities</i>	0	\$39,336
Net Position		
Held in Trust for Scholarships	25,666	
<i>Total Net Position</i>	\$25,666	

See accompanying notes to the basic financial statements

Union Local School District
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Fund
Additions	
Contributions and Donations	\$17,733
Deductions	
Scholarships Awarded	6,700
<i>Change in Net Position</i>	11,033
<i>Net Position Beginning of Year</i>	14,633
<i>Net Position End of Year</i>	\$25,666

See accompanying notes to the basic financial statements

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Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1952 through the consolidation of the Union Township, Smith Township, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, the School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont, Centerville, Bethesda, and Flushing. It is staffed by 57 non-certificated employees, 98 certificated full-time teaching personnel, and 9 administrative employees who provide services to 1,555 students. The School District currently operates two instructional/administrative buildings, one garage and one maintenance building.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District is involved with the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), and the Belmont-Harrison Vocational School District, which are defined as jointly governed organizations, the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP) which is defined as an insurance purchasing pool, and the Stark County Schools’ Council of Governments Health Benefits Program (Council), which is defined as a shared risk insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the financial statements.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's general purpose financial statements consist of government-wide statements, including a Statement of Net Position 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 Position 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 (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 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 year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose 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 therefore not available to support the School District's own programs. The School District has a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

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

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 generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 a 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 to be both measurable and available at fiscal yearend: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, no deferred outflows of resources are reported.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 the governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all 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.”

During fiscal year 2014, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$7,752, which includes \$4,150 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent cash restricted for insurance premiums related to the underground storage tank.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Land Improvements	20 Years
Buildings and Improvements	5 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-20 Years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

L. Accrued Liabilities and Long-Term Obligations

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

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

M. Bond Premiums, Bond Discounts, and Bond Issuance Costs

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Bond issuance costs are expensed in in the funds in the period the bonds are issued.

N. Internal Activity

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

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.

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. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The amount committed to Capital Projects in the other governmental funds represents gas and oil lease bonus revenue approved by the Board of Education to be used for capital projects.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Board of Education to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on its 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 position restricted for other purposes include resources from local sources restricted to expenditures for insurance premiums related to the underground storage tank.

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For the Fiscal Year Ended June 30, 2014

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. 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.

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

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For the Fiscal Year Ended June 30, 2014

NOTE 3 - RESTATEMENT OF FUND BALANCE AND NET POSITION

The School District restated fund balance due to retainage payable on construction contracts that is not a liability. The restatement had the following effect on fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2013	(\$608,355)	\$855,890	\$359,235	\$606,770
Restatement	0	0	40,398	40,398
Restated Fund Balance June 30, 2013	(\$608,355)	\$855,890	\$399,633	\$647,168

The restatement of the retainage payable liability also had the following effect on net position.

	Governmental Activities
Governmental Net Position, June 30, 2013	\$11,527,844
Restatement	40,398
Restated Governmental Net Position, June 30, 2013	\$11,568,242

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non -AAP Basis) - 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures 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 restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

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Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$825,196
Revenue Accruals	29,588
Advances In	11,486
Expenditure Accruals	(13,843)
Advances Out	(81,840)
Encumbrances	<u>(295,295)</u>
Budget Basis	<u><u>\$475,292</u></u>

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

Interim deposits are deposits of interim monies. Interim monies are those 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 can 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;

Union Local School District
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For the Fiscal Year Ended June 30, 2014

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) above;
7. The State Treasurer's investment pool (STAR Ohio);
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. 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 year end, the bank balance was \$3,114,208. Of the bank balance \$250,000 was covered by Federal depository insurance and the remaining balance of \$2,864,208 was covered by pledged pooled collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial 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 one hundred five percent of the deposits being secured.

NOTE 6 - 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 collections are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Union Local School District
Notes to the Basic Financial Statements
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Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County and Harrison County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014 and for which there is 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 inflows of resources – property taxes not levied to finance current year operations.

The amount available as an advance at June 30, 2014 was \$362,771 in the General Fund, \$39,225 in the Debt Service Fund, and \$5,942 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2013 was \$365,432 in the General Fund, \$39,621 in the Debt Service Fund, and \$5,902 in the Classroom Facilities Maintenance Special Revenue Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$151,215,140	94.39%	\$154,198,240	94.35%
Public Utility Personal	8,984,980	5.61%	9,240,270	5.65%
	\$160,200,120	100.00%	\$163,438,510	100.00%
Tax Rate per \$1,000 of assessed valuation	\$29.80		\$29.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, tuition and fees, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$267,622 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

<u>Governmental Activities:</u>	<u>Amounts</u>
Miscellaneous Grants	\$9,768
Medicaid Reimbursement	5,238
Title I Grant	124,907
IDEA B Grant	100,679
21st Century Grant	61,469
Motor Vehicle Fuel Refund	2,025
Miscellaneous Reimbursements from Other School Districts	1,124
Excess Costs from Other School Districts	<u>153,918</u>
Total Intergovernmental Receivable	<u><u>\$459,128</u></u>

NOTE 8 - INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2014 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Non-Major Governmental	<u><u>\$81,840</u></u>

The General Fund made loans to the Miscellaneous State Grants, Title I, and Miscellaneous Federal Grants Special Revenue Funds. The loans were made to support the programs until grant monies are received to operate the programs.

B. Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>
	<u>Other Non-Major Governmental</u>
Major Funds:	
General Fund	\$88,241
Other Non-Major Governmental Funds	6,920
Total	<u><u>\$95,161</u></u>

Transfers from the General Fund and the Classroom Facilities Capital Projects Fund were made to provide funding to the Classroom Facilities Maintenance Special Revenue Fund, and the Special Reserve Capital Improvement Capital Projects Fund.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Nondepreciable Capital Assets:				
Land and Land Improvements	\$1,842,760	\$0	\$0	\$1,842,760
Construction in Progress	9,757	0	0	9,757
Total Nondepreciable Capital Assets	1,852,517	0	0	1,852,517
Depreciable Capital Assets:				
Land Improvements	141,341	0	0	141,341
Buildings and Improvements	20,379,961	10,900	0	20,390,861
Furniture and Equipment	206,966	0	0	206,966
Vehicles	1,268,547	30,367	0	1,298,914
Total Depreciable Capital Assets	21,996,815	41,267	0	22,038,082
Accumulated Depreciation:				
Land Improvements	(5,496)	(9,423)	0	(14,919)
Buildings and Improvements	(9,814,254)	(621,900)	0	(10,436,154)
Furniture and Equipment	(130,080)	(22,500)	0	(152,580)
Vehicles	(963,554)	(33,984)	0	(997,538)
Total Accumulated Depreciation	(10,913,384)	(687,807)	0	(11,601,191)
Total Depreciable Capital Assets, Net	11,083,431	(646,540)	0	10,436,891
Governmental Capital Assets, Net	\$12,935,948	(\$646,540)	\$0	\$12,289,408

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$419,898
Special	73,165
Vocational	20,509
Support Services:	
Pupil	9,146
Instructional Staff	18,291
Administration	18,678
Fiscal	9,146
Operation of Maintenance and Plant	14,121
Pupil Transportation	35,937
Extracurricular	27,714
Food Service Operations	41,202
Total Depreciation Expense	\$687,807

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - RISK MANAGEMENT

A. Property, Fleet and Liability Insurance

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. The School District contracts with Ohio Casualty Insurance for general liability, errors and omissions, property, and fleet insurance.

The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$3,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$1,000 deductible with total coverage of \$41,159,929. The fleet coverage has limits of liability of \$1,000,000 for each accident with a \$1,000 deductible.

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

B. Employee Benefits

The School District has contracted with the Stark County Schools' Council of Government Health Benefits Program (Council) to provide employee medical/surgical and dental, and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 74 member school districts, educational service centers and related agencies, see Note 18 for further information about the Council. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims. Premiums for this coverage are \$651.04 for individual coverage per month and \$1,581.51 for family coverage per month. Employees contribute \$65.10 per month for single coverage and \$158.15 per month for family coverage, with the Board paying the balance of the premium. The premium is paid from the fund that pays the salary of the covered employee. Dental premiums are \$82.66 for individual coverage per month and \$203.95 for family coverage per month. Employees contribute \$8.27 per month for single coverage and \$20.40 per month for family coverage, with the Board paying the balance of the premium. Premiums for the vision coverage are \$17.43 for individual coverage per month and \$43.31 for family coverage per month. Employees contribute \$1.74 per month for single coverage and \$4.33 month for family coverage, with the Board paying the balance of the premium.

C. Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Union Local School District
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NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$179,793, \$172,208, and \$188,171 respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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For the Fiscal Year Ended June 30, 2014

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$781,478 and \$11,823 for the fiscal year ended June 30, 2014, \$759,821 and \$11,138 for the fiscal year ended June 30, 2013, and \$771,669 and \$7,795 for the fiscal year ended June 30, 2012. For fiscal year 2014, 75.98 percent has been contributed for the DB plan and 75.98 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$25,254 made by the School District and \$18,271 made by the plan members. In addition, member contributions of \$9,290 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Union Local School District
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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$25,800 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,929, \$2,103, and \$8,149 respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$10,471, \$9,728, and \$11,112 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and, and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$54,949, \$58,448, and \$59,959 respectively. For fiscal year 2014, 75.98 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 - 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 five to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 290 days for all certified employees and 280 days for all classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 72 days for certificated employees provided such certificated staff member has been continuously employed by the School District for nine years and 70 days for classified employees provided such classified employee has been continuously employed by the School District for seven years.

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all eligible employees through Consumers Life Insurance Company in the amount of \$40,000 per employee.

NOTE 14 - CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2009, the School District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor. In a prior fiscal year, the School District also entered into a capital lease for copiers.

The assets acquired by the leases have been capitalized in government wide statements governmental activities as buildings and improvements and furniture, fixtures and equipment in the amount of \$660,591, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities assets are reflected net of accumulated depreciation, \$573,092. Principal payments in fiscal year 2014 for the copier totaled \$11,397 in the governmental funds. Due to timing of payments in the fiscal year, no principal payments were made on the OASBO lease during fiscal year 2014, only one interest payment was made, in the amount of \$6,958.88.

Future minimum lease payments through 2020 are as follows:

2015	\$71,200	\$16,635
2016	74,060	14,413
2017	74,583	11,267
2018	65,000	7,252
2019	67,000	5,158
2020	70,000	2,636
	<u>\$421,843</u>	<u>\$57,361</u>

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amounts Due Within One Year
Governmental Activities:					
2007 School Improvement Refunding Bonds					
Serial/Term Bonds \$1,365,000 @ 3.75% - 4.0%	\$1,145,000	\$0	\$265,000	\$880,000	\$275,000
Capital Appreciation Bonds \$264,996 @ 4.3% - 4.35%	264,996	0	0	264,996	0
Accretion of Interest \$385,004 @ 8.284%	171,575	36,889	0	208,464	0
Premium \$152,903	74,328	0	12,742	61,586	0
Total General Obligation Bonds	1,655,899	36,889	277,742	1,415,046	275,000
Capital Leases	433,240	0	11,397	421,843	71,200
Compensated Absences	537,205	129,110	58,128	608,187	111,172
Total Long-Term Liabilities	<u>\$2,626,344</u>	<u>\$165,999</u>	<u>\$347,267</u>	<u>\$2,445,076</u>	<u>\$457,372</u>

2007 School Improvement Refunding Bonds - On May 8, 2007, the School District issued \$1,629,995 general obligation bonds, which included capital appreciation bonds in the amount of \$264,995. The bonds refunded \$1,629,995 of outstanding 1997 School Improvement Bonds. The serial bonds were issued at a 4.0 percent interest rate, for a period of nine years, with a final maturity of December 1, 2016. The term bonds were issued at a 3.75 percent interest rate, for a five year period, with a final maturity at December 1, 2012. At the date of refunding, \$1,720,030 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1997 School Improvement General Obligation Serial Bonds. The refunded bonds were called and fully repaid by December 1, 2007, through the escrow account. These refunding bonds were issued with a premium of \$152,903. This amount is being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method.

The capital appreciation bonds were sold at an original price of \$264,996, with maturity dates of December 1, 2017 and 2018. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$650,000. The accretion recorded for fiscal year 2014 is \$36,889 for a total bond liability of \$473,460. The accretion will continue to be recorded over the life of the bonds.

As part of the refunding bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the Department of Education will make the sufficient payment.

Principal and interest requirements to retire general obligation bonds for the 2007 Refunding Bonds outstanding at June 30, 2014 are as follows:

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest / Accretion
2015	\$275,000	\$29,700	\$0	\$0	\$275,000	\$29,700
2016	290,000	18,400	0	0	290,000	18,400
2017	315,000	6,300	0	0	315,000	6,300
2018	0	0	137,871	187,129	137,871	187,129
2019	0	0	127,125	197,875	127,125	197,875
	<u>\$880,000</u>	<u>\$54,400</u>	<u>\$264,996</u>	<u>\$385,004</u>	<u>\$1,144,996</u>	<u>\$439,404</u>

The overall debt margin of the School District as of June 30, 2014 was \$14,477,381 with an unvoted debt margin of \$163,382.

Capital leases and compensated absences will be paid from the General Fund

NOTE 16 - COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$295,295
Other Non-major Governmental Funds	<u>206,300</u>
Total	<u>\$501,595</u>

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the total amount paid to OME-RESA from the School District was \$558 for cooperative gas purchasing services administrative fees, \$31,449 for technology services, \$5,832 for library automation services, \$608 for in-service and coop costs, \$250 for Hotline services, and \$8,443 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Belmont-Harrison Vocational School District - The Belmont-Harrison Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards. The Board exercises total control over the operations of the District including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Place, St. Clairsville, Ohio 43950.

NOTE 18 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of \$1,590 for policy year 2014 was paid to CompManagement, Inc.

B. Shared Risk Insurance Purchasing Pool

The Stark County Schools' Council of Government Health Benefits Program (Council) – The Stark County Schools' Council of Governments (Council) Health Benefits program is a shared risk pool created pursuant to State Statute for the purposes of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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 acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	250,323
Current Year Offsets	(181,611)
Current Year Qualifying Expenditures	(111,348)
Totals	<u>(\$42,636)</u>
Balance Carried Forward to Fiscal Year 2015	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2014	<u>\$0</u>

The School District had offsets and qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years.

NOTE 20 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

C. Paid Up Oil and Gas Leases

XTO Energy, Inc. - The Board of Education has entered into a "Paid-Up" Oil and Gas Lease with XTO Energy, Inc. The lease is for 105 acres of property owned by the Union Local Board of Education, and is effective September 26, 2011, for a five year period. In consideration of the execution of the lease, the School District received a signing bonus in the amount of \$501,039 in a prior fiscal year. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 19 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Rice Drilling D, LLC, - On April 30, 2013, the Board of Education entered into a second “Paid Up” Oil and Gas Lease. The lease is for 35.932 acres of property that the Union Local Board of Education owns a 50 percent share of the mineral rights in, and is effective for a five year period, from the date of the agreement, with Rice Drilling D, LLC. In consideration of the execution of the second lease, the School District is to receive a signing bonus in the amount of \$112,288. As of the date of the Financial Statements, the bonus money has not yet been received by the School District. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

The total carrying value of the land leased is \$1,842,760.

NOTE 21 - SUBSEQUENT EVENTS

A. Income Tax Levy

On July 17, 2014, the Board of Education passed a resolution to place a one-half percent, five year income tax levy for the purpose of permanent improvements on the November 4, 2014 ballot. This levy, if passed, is expected to generate \$750,000 annually. On November 4, 2014, the levy failed to pass.

B. Oil and Gas Lease Agreement

Rice Drilling D, LLC, - On December 10, 2013, the Board of Education entered into a third “Paid Up” Oil and Gas Lease. The lease is for 6.95 acres of property owned by the Union Local Board of Education in Smith Township, Belmont County, Ohio, and is effective for a five year period, from the date of the agreement, with Rice Drilling D, LLC. In consideration of the execution of this lease, the School District was to receive a signing bonus in the amount of \$43,437, which was received on December 11, 2014. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, the value of any potential royalties cannot be determined.

C. Labor Agreements

The Ohio Association of Public Employees labor agreement expired on June 30, 2014. A tentative agreement was reached on October 7, 2014 and the labor agreement was ratified by the Board of Education on October 16, 2014 to cover the period of July 1, 2014 to June 30, 2016.

D. Energy Conservation Bonds

On June 19, 2014, the Board of Education approved a resolution authorizing an Energy Conservation Project in the amount of \$722,000. As part of the project, the issuance and sale of Ohio House Bill 264 Energy Conservation Improvement Bonds in the amount \$740,000 was approved. As of the date of the financial statements, the project has not been started, and no bonds have been issued.

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UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/ <i>Pass-Through Grantor</i> Program Title	Pass-Through Program Fiscal Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	2014	10.555	\$9,691	\$9,691
Cash Assistance:				
School Breakfast Program	2014	10.553	97,435	97,435
National School Lunch Program	2014	10.555	192,121	192,121
After School Snack Program	2014		1,380	1,380
Cash Assistance Subtotal			<u>290,936</u>	<u>290,936</u>
Total Child Nutrition Cluster			300,627	300,627
State Administrative Expenses for Child Nutrition	2013	10.560	<u>2,305</u>	<u>2,305</u>
Total U.S. Department of Agriculture			302,932	302,932
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	40,960	40,960
	2014		268,993	268,605
Title I Program for Neglected and Delinquent Children	2014		19,225	19,774
Total Title I Grants to Local Educational Agencies			<u>329,178</u>	<u>329,339</u>
Special Education Cluster:				
Special Education, Grants to States (IDEA, Part B)	2013	84.027	37,212	37,125
	2014		191,492	189,441
Total Special Education, Grants to States (IDEA, Part B)			<u>228,704</u>	<u>226,566</u>
Special Education - Preschool Grants (IDEA Preschool)	2014	84.173	11,714	11,714
Total Special Education Cluster			<u>240,418</u>	<u>238,280</u>
Twenty-First Century Community Learning Centers	2013	84.287	16,849	16,898
	2014		119,607	119,842
Twenty-First Century Community Learning Centers - Success Program	2013		6,153	4,883
	2014		168,924	142,713
Total Twenty-First Century Community Learning Centers			<u>311,533</u>	<u>284,336</u>
Improving Teacher Quality State Grants	2014	84.367	81,152	81,152
Rural Education	2014	84.358	2,874	2,874
Total U.S. Department of Education			<u>965,155</u>	<u>935,981</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,268,087</u>	<u>\$1,238,913</u>

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

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 19, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 19, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Union Local School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Programs

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 19, 2015

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster, CFDA #10.553 and #10.555 • Title I Grants to Local Educational Agencies, CFDA #84.010 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	2 C.F.R. Part 225, Appendix B 8h(3)(4) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. During fiscal year 2013, the School District did not have the semi-annual certification on file to support the wages paid from the Title I (Delinquent) Fund for one employee paid from a federal award and a non-federal award.	Yes	N/A



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UNION LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**