

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

SCOTT MARUNIAK, TREASURER



Dave Yost • Auditor of State

Board of Education
North Union Local School District
12920 State Route 739
Richwood, Ohio 43344

We have reviewed the *Independent Auditor's Report* of the North Union Local School District, Union County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 23, 2016

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

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 North Union Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Union Local 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 North Union Local 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 North Union Local 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the North Union Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

We audited to opine on the North Union Local School District's financial statements that collectively comprise its basic financial statements.

The Schedule of Receipts and Expenditures of Federal Awards (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 not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates 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 Information

We applied no procedures to the Management's Discussion & Analysis, presented on pages 3 - 11 and the Other Information - Net Pension Liability and Pension Contributions presented on pages 49 - 55 of the report, and accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the North Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 North Union Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 3, 2015

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of the North Union Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- The total net cash position of the District increased \$374,103 or 3.04% from fiscal year 2014.
- General cash receipts accounted for \$14,760,035 or 79.97% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$3,696,187 or 20.03% of total cash receipts of \$18,456,222.
- The District had \$18,082,119 in cash disbursements related to governmental activities; only \$3,696,187 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,760,035 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$15,838,348 in cash receipts and \$15,869,141 in cash disbursements. During fiscal year 2015, the general fund's cash balance decreased from \$10,825,401 to \$10,794,608.
- The bond retirement fund had \$880,691 in cash receipts and \$845,524 in cash disbursements. During fiscal year 2015, the bond retirement fund's cash balance increased from \$471,142 to \$506,309.

Using these Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The *statement of net position - cash basis* and *statement of activities - cash basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position - cash basis and the statement of activities - cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting will take into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

The statement of net position - cash basis and the statement of activities - cash basis include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 8. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund; all other governmental funds are considered non-major.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-17 of this report.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and statement of changes in fiduciary net position - cash basis on pages 18 and 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-48 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 51-55 of this report.

The District as a Whole

The statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2015 and 2014.

	Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Assets</u>		
Current and other assets	\$ 12,676,621	\$ 12,302,518
<u>Net cash position</u>		
Restricted	\$ 1,882,013	\$ 1,477,117
Unrestricted	<u>10,794,608</u>	<u>10,825,401</u>
Total net cash position	<u>\$ 12,676,621</u>	<u>\$ 12,302,518</u>

At June 30, 2015, the District's net cash position was \$12,676,621. A portion of this amount, or \$1,882,013, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$10,794,608 may be used to meet the District's ongoing obligations to its students and creditors.

The following table shows the change net cash position for fiscal years 2015 and 2014.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Change in Net Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Cash Receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 1,948,008	\$ 1,654,351
Operating grants, contributions and interest	1,748,179	1,749,381
General cash receipts:		
Property taxes	5,613,351	5,306,319
Income taxes	1,867,250	1,871,853
Grants and entitlements	7,162,591	7,220,027
Investment earnings	44,895	44,752
Gifts and donations	-	200
Miscellaneous	71,948	210,931
Sale of capital assets	-	2,800
Total cash receipts	<u>18,456,222</u>	<u>18,060,614</u>
<u>Cash disbursements</u>		
Program disbursements:		
Instruction:		
Regular	6,045,423	6,191,474
Special	1,952,454	1,853,259
Vocational	777,670	743,188
Other	593,372	-
Support services:		
Pupil	1,129,266	1,051,189
Instructional staff	848,335	652,750
Board of education	43,454	25,330
Administration	1,247,390	1,198,723
Fiscal	521,011	542,401
Operations and maintenance	1,764,650	1,828,525
Pupil transportation	1,050,835	924,613
Central	1,516	7,545
Food service operations	652,266	637,232
Extracurricular activities	456,655	452,913
Facilities acquisition and construction	-	252,828
Principal retirement	763,687	615,000
Interest and fiscal charges	234,135	218,825
Total cash disbursements	<u>18,082,119</u>	<u>17,195,795</u>
Change in net cash position	374,103	864,819
Net cash position at beginning of year	<u>12,302,518</u>	<u>11,437,699</u>
Net cash position at end of year	<u>\$ 12,676,621</u>	<u>\$ 12,302,518</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental Activities

Net cash position of the District's governmental activities increased \$374,103. Total governmental cash disbursements of \$18,082,119 were offset by program cash receipts of \$3,696,187 and general cash receipts of \$14,760,035. Program cash receipts supported 20.44% of the total governmental disbursements.

Total cash receipts increased slightly, up 2.19% compared to the prior year. This is mostly due to an increase in open enrollment receipts for the District. The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These sources represent 79.34% of total governmental cash receipts. Property taxes increased slightly as a result of higher assessed property values throughout the District.

Cash disbursements also increased slightly in fiscal year 2015, primarily due to an increase in wages as a result of the new negotiated agreements which became effective for fiscal year 2015. The largest expense of the District is for instructional programs. Instruction disbursements totaled \$9,368,919 or 51.81% of total governmental cash disbursements for fiscal year 2015.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
Program cash disbursements				
Instruction:				
Regular	\$ 6,045,423	\$ 4,606,597	\$ 6,191,474	\$ 4,964,028
Special	1,952,454	992,932	1,853,259	747,576
Vocational	777,670	637,303	743,188	590,783
Other	593,372	593,372	-	-
Support services:				
Pupil	1,129,266	916,539	1,051,189	1,046,929
Instructional staff	848,335	830,559	652,750	652,750
Board of education	43,454	43,454	25,330	25,330
Administration	1,247,390	1,247,232	1,198,723	1,198,723
Fiscal	521,011	441,420	542,401	460,573
Operations and maintenance	1,764,650	1,764,650	1,828,525	1,828,525
Pupil transportation	1,050,835	1,050,835	924,613	924,613
Central	1,516	1,516	7,545	2,145
Food service operations	652,266	(13,391)	637,232	(11,400)
Extracurricular activities	456,655	275,092	452,913	274,835
Facilities acquisition and construction	-	-	252,828	252,828
Principal retirement	763,687	763,687	615,000	615,000
Interest and fiscal charges	234,135	234,135	218,825	218,825
Total	<u>\$ 18,082,119</u>	<u>\$ 14,385,932</u>	<u>\$ 17,195,795</u>	<u>\$ 13,792,063</u>

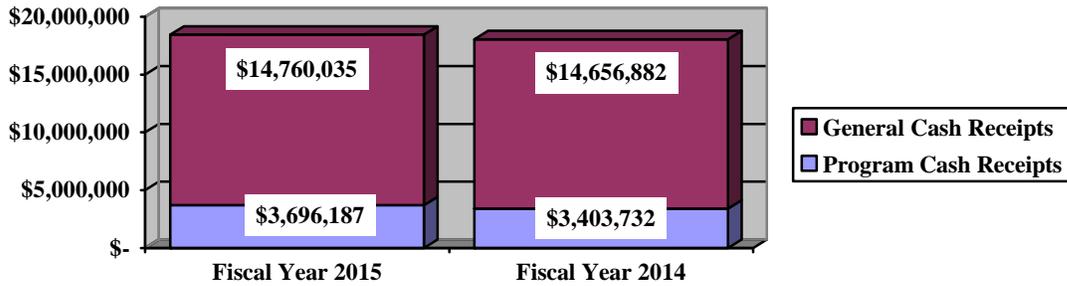
**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The dependence upon general cash receipts for governmental activities is apparent; with 79.56% and 80.21% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2015 and 2014, respectively.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$12,676,621, compared to last year's combined fund cash balance of \$12,302,518. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	Increase/ <u>(Decrease)</u>
General	\$ 10,794,608	\$ 10,825,401	\$ (30,793)
Bond retirement	506,309	471,142	35,167
Nonmajor governmental	<u>1,375,704</u>	<u>1,005,975</u>	<u>369,729</u>
Total	<u>\$ 12,676,621</u>	<u>\$ 12,302,518</u>	<u>\$ 374,103</u>

General Fund

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts</u>				
Property taxes	\$ 4,593,756	\$ 4,287,350	\$ 306,406	7.15 %
Income taxes	1,867,250	1,871,853	(4,603)	(0.25) %
Tuition	1,247,415	1,083,483	163,932	15.13 %
Earnings on investments	44,895	44,752	143	0.32 %
Intergovernmental	7,808,451	7,798,303	10,148	0.13 %
Other receipts	<u>276,581</u>	<u>292,547</u>	<u>(15,966)</u>	<u>(5.46) %</u>
Total	<u>\$ 15,838,348</u>	<u>\$ 15,378,288</u>	<u>\$ 460,060</u>	<u>2.99 %</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Property taxes increased slightly as a result of an increase in assessed property values in the District. The only other significant change in cash receipts was for tuition; these receipts increased due to additional open enrollment students for the District.

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>				
Instruction	\$ 9,042,644	\$ 8,415,816	\$ 626,828	7.45 %
Support services	6,348,847	5,634,870	713,977	12.67 %
Extracurricular activities	309,978	261,622	48,356	18.48 %
Debt service	<u>167,672</u>	<u>-</u>	<u>167,672</u>	100.00 %
Total	<u>\$ 15,869,141</u>	<u>\$ 14,312,308</u>	<u>\$ 1,556,833</u>	10.88 %

The overall increase in cash disbursements is primarily due to the following factors; (1) an increase in employee wages and benefits due to additional staff and wage increases, (2) an increase in property maintenance costs, and (3) additional capital purchases made in fiscal year 2015 for instructional equipment and supplies and school buses. In addition, the District entered into a capital lease agreement for copiers in fiscal year 2015 and began making monthly payments on the lease which are reflected as debt service disbursements.

Bond Retirement Fund

The bond retirement fund is reported as a major fund for the District and is used to accumulate resources (primarily property taxes) for the repayment of principal and interest on general obligation bonds. The bond retirement fund had \$880,691 in cash receipts and \$845,524 in cash disbursements. During fiscal year 2015, the bond retirement fund's cash balance increased from \$471,142 to \$506,309.

General Fund Budgeting Highlights

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

For the general fund, original estimated budgetary basis receipts and other financing sources of \$14,574,513 were increased to \$15,573,126 in the final budget. Estimated property taxes were increased \$457,331 (11.06%) to account for an increase in assessed property values. Intergovernmental receipts increased \$396,336 (5.36%) in order to reflect an increased allocation from the State Foundation Program. The actual budgetary basis receipts and other financing sources of \$15,749,904 exceeded final budget estimates by \$176,778. There were no significant variances between the final budget and actual.

Original budgetary basis disbursements and other financing uses of \$18,089,527 were decreased to \$17,353,529 in the final budget. This variance is primarily due to a conservative approach to budgeting for disbursements in the original budget; these were adjusted downward in the final budget to more closely reflect actual disbursements. The actual budgetary basis disbursements of \$17,302,762 were \$50,767 less than the final budget estimates. There were no significant variances between the final budget and actual.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District did not have any facilities acquisition and construction disbursements during fiscal year 2015.

Debt Administration

At June 30, 2015, the District had \$7,841,733 in general obligation bonds and capital lease obligations outstanding. Of the total outstanding debt, \$790,526 is due within one year and \$7,051,207 is due in more than one year. Additions to long-term obligations in fiscal year 2015 were \$740,420 (copier lease) and total reductions were \$763,687.

The following table summarizes the District's outstanding debt.

Outstanding Debt at Year End

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds	\$ 7,235,000	\$ 7,865,000
Capital leases	<u>606,733</u>	<u>-</u>
Total	<u>\$ 7,841,733</u>	<u>\$ 7,865,000</u>

See Notes 11 and 12 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Issues

The Board of Education entered into a negotiated agreement in May 2014 that will be in effect until June 2017. Classified employees are receiving a per hour increase based on class of employee. Certified employees are receiving a base increase dependent on salary scale. The agreement included that all step increases continue as normal after the first year of the contract. During the first year of the contract any employee that "missed" a step will recover one step. To assist in maintaining positive labor relations, the Board of Education and the North Union Education Association have continued to meet in a Labor Relations Committee to address concerns and find potential solutions. The District will continue to monitor current settlements around the State and develop a negotiation strategy for the next round of negotiations that will be taking place in the spring of 2017.

In addition, the District is constantly evaluating the political climate and success of school districts that attempt to receive additional tax levies. Currently, the District has passed all operational levies. The District shall not need to renew any existing levies until 2020. North Union Local School District is very thankful to be in our current financial situation. In addition, due to changes in the CAUV values, property tax collections will increase for fiscal year 2015.

The District transitioned to a different employee benefits consortium, the Stark County Council of Governments, after the prior consortium disbanded in 2012. The District qualified for two rate holidays during fiscal year 2014, fiscal year 2015, and fiscal year 2016. These holidays for fiscal year 2016 will take place in December 2015 and January 2016. They will be true rate holidays for the employees and a minor cost (less than \$15,000) for the District due to the way rate holidays are calculated by the Stark County Council of Governments.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Other than a few minor facilities improvements, all major construction projects have been completed. The District plans to continue to set aside funds in the Capital Maintenance Fund to cover costs of key infrastructure repairs/replacement.

Starting in August 2015, North Union Local Schools welcomed a new Superintendent. Mr. Richard Baird comes to North Union LSD from Dublin City Schools. We are very confident in his leadership abilities and style. Mr. Baird brings 20+ years of educational experience to the district. At the same time, Dr. Richard Smith, Jr. has moved to another district and we wish him all the best in his future endeavors.

Finally, an issue continually facing the School District, and every other school district in the State of Ohio, is the current economic stability of the State and nation. We are continually monitoring market conditions and foreclosure information. The District will react as needed to any changes that may occur and address them to the best of its ability.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Scott Maruniak, CFO/Treasurer, North Union Local School District, 12920 State Route 739, Richwood, Ohio 43344.

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 12,676,621</u>
 Net position:	
Restricted for:	
Capital projects	\$ 620,555
Classroom facilities maintenance	469,043
Debt service.	506,309
Federally funded programs	27,777
Athletics and music	102,660
Other purposes.	155,669
Unrestricted	<u>10,794,608</u>
Total net position	<u>\$ 12,676,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipt and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	
Governmental activities:				
Instruction:				
Regular	\$ 6,045,423	\$ 1,380,335	\$ 58,491	\$ (4,606,597)
Special	1,952,454	-	959,522	(992,932)
Vocational	777,670	-	140,367	(637,303)
Other	593,372	-	-	(593,372)
Support services:				
Pupil	1,129,266	-	212,727	(916,539)
Instructional staff	848,335	-	17,776	(830,559)
Board of education	43,454	-	-	(43,454)
Administration	1,247,390	-	158	(1,247,232)
Fiscal	521,011	79,591	-	(441,420)
Operations and maintenance	1,764,650	-	-	(1,764,650)
Pupil transportation	1,050,835	-	-	(1,050,835)
Central	1,516	-	-	(1,516)
Operation of non-instructional services:				
Food service operations	652,266	335,267	330,390	13,391
Extracurricular activities	456,655	152,815	28,748	(275,092)
Principal retirement	763,687	-	-	(763,687)
Interest and fiscal charges	234,135	-	-	(234,135)
Totals	\$ 18,082,119	\$ 1,948,008	\$ 1,748,179	(14,385,932)

General receipts:

Property taxes levied for:	
General purposes	4,593,756
Classroom facilities maintenance	62,332
Debt service	768,102
Permanent improvements	189,161
Income taxes levied for:	
General purposes	1,867,250
Grants and entitlements not restricted to specific programs	
Investment earnings	44,895
Miscellaneous	71,948
Total general receipts	14,760,035
Change in net position	374,103
Net position at beginning of year	12,302,518
Net position at end of year	\$ 12,676,621

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 10,794,608	\$ 506,309	\$ 1,375,704	\$ 12,676,621
Fund balances:				
Restricted:				
Debt service	\$ -	\$ 506,309	\$ -	\$ 506,309
Capital improvements	-	-	620,555	620,555
Classroom facilities maintenance	-	-	469,043	469,043
Food service operations	-	-	154,870	154,870
Special education.	-	-	16,506	16,506
Targeted academic assistance.	-	-	11,271	11,271
Regular instruction	-	-	799	799
Athletics and music.	-	-	102,660	102,660
Assigned:				
Student instruction	444,956	-	-	444,956
Student and staff support	1,173,838	-	-	1,173,838
Extracurricular activities.	2,855	-	-	2,855
Subsequent year's appropriations	2,767,013	-	-	2,767,013
Unassigned	6,405,946	-	-	6,405,946
Total fund balances.	<u>\$ 10,794,608</u>	<u>\$ 506,309</u>	<u>\$ 1,375,704</u>	<u>\$ 12,676,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
From local sources:				
Property taxes	\$ 4,593,756	\$ 768,102	\$ 251,493	\$ 5,613,351
Income taxes.	1,867,250	-	-	1,867,250
Tuition.	1,247,415	-	-	1,247,415
Earnings on investments	44,895	-	300	45,195
Charges for services	79,591	-	335,267	414,858
Extracurricular.	132,920	-	152,815	285,735
Contributions and donations	2,075	-	28,748	30,823
Other local revenues	61,995	-	7,878	69,873
Intergovernmental - state	7,807,012	112,589	97,260	8,016,861
Intergovernmental - federal	1,439	-	863,422	864,861
Total receipts	<u>15,838,348</u>	<u>880,691</u>	<u>1,737,183</u>	<u>18,456,222</u>
Disbursements:				
Current:				
Instruction:				
Regular.	5,980,556	-	64,867	6,045,423
Special	1,691,046	-	261,408	1,952,454
Vocational	777,670	-	-	777,670
Other	593,372	-	-	593,372
Support services:				
Pupil	918,004	-	211,262	1,129,266
Instructional staff	830,757	-	17,578	848,335
Board of education	43,454	-	-	43,454
Administration	1,245,247	1,405	738	1,247,390
Fiscal	502,484	13,969	4,558	521,011
Operations and maintenance	1,756,550	-	8,100	1,764,650
Pupil transportation	1,050,835	-	-	1,050,835
Central.	1,516	-	-	1,516
Operation of non-instructional services:				
Food service operations.	-	-	652,266	652,266
Extracurricular activities.	309,978	-	146,677	456,655
Debt service:				
Principal retirement	133,687	630,000	-	763,687
Interest and fiscal charges	33,985	200,150	-	234,135
Total disbursements.	<u>15,869,141</u>	<u>845,524</u>	<u>1,367,454</u>	<u>18,082,119</u>
Net change in fund balances	(30,793)	35,167	369,729	374,103
Fund balances at beginning of year	<u>10,825,401</u>	<u>471,142</u>	<u>1,005,975</u>	<u>12,302,518</u>
Fund balances at end of year.	<u>\$ 10,794,608</u>	<u>\$ 506,309</u>	<u>\$ 1,375,704</u>	<u>\$ 12,676,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property taxes	\$ 4,136,425	\$ 4,593,756	\$ 4,593,756	\$ -
Income taxes.	1,778,911	1,840,637	1,867,250	26,613
Tuition.	1,005,414	1,198,317	1,247,415	49,098
Earnings on investments	41,748	41,544	45,433	3,889
Charges for services	-	-	79,591	79,591
Other local revenues	39,640	61,995	61,995	-
Intergovernmental - state	7,393,089	7,789,425	7,807,012	17,587
Intergovernmental - federal	2,046	1,439	1,439	-
Total receipts	<u>14,397,273</u>	<u>15,527,113</u>	<u>15,703,891</u>	<u>176,778</u>
Disbursements:				
Current:				
Instruction:				
Regular	6,803,787	6,318,738	6,357,427	(38,689)
Special.	1,956,049	1,738,334	1,736,495	1,839
Vocational.	912,865	854,032	852,581	1,451
Other.	562,182	593,372	593,372	-
Support services:				
Pupil.	950,335	932,986	932,158	828
Instructional staff	734,626	980,839	930,484	50,355
Board of education	68,778	50,972	50,972	-
Administration.	1,418,281	1,334,423	1,332,828	1,595
Fiscal	608,931	452,425	553,917	(101,492)
Operations and maintenance.	2,724,366	2,586,432	2,503,298	83,134
Pupil transportation	1,024,342	1,196,127	1,144,881	51,246
Central.	7,988	1,516	1,516	-
Extracurricular activities.	285,947	313,333	312,833	500
Total disbursements	<u>18,058,477</u>	<u>17,353,529</u>	<u>17,302,762</u>	<u>50,767</u>
Excess of disbursements over receipts	<u>(3,661,204)</u>	<u>(1,826,416)</u>	<u>(1,598,871)</u>	<u>227,545</u>
Other financing sources (uses):				
Refund of prior year's expenditures	177,240	46,013	46,013	-
Transfers (out).	(31,050)	-	-	-
Total other financing sources (uses)	<u>146,190</u>	<u>46,013</u>	<u>46,013</u>	<u>-</u>
Net change in fund balance	(3,515,014)	(1,780,403)	(1,552,858)	227,545
Fund balance at beginning of year	9,346,781	9,346,781	9,346,781	-
Prior year encumbrances appropriated. . .	1,379,036	1,379,036	1,379,036	-
Fund balance at end of year	<u>\$ 7,210,803</u>	<u>\$ 8,945,414</u>	<u>\$ 9,172,959</u>	<u>\$ 227,545</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 204,996	\$ 75,154
Liabilities:		
Held on behalf of others	-	\$ 75,154
Net position:		
Held in trust for scholarships.	129,069	
Endowment.	75,927	
Total net position.	<u>\$ 204,996</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,291
Gifts and contributions	13,095
Total additions	15,386
Deductions:	
Scholarships awarded	13,471
Change in net position	1,915
Net position at beginning of year	203,081
Net position at end of year	\$ 204,996

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1963. The District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The District is staffed by 76 classified employees, 106 certified teaching personnel, and 12 administrative employees who provide services to 1,560 students and other community members. The District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council

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

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the District paid Meta Solutions \$65,327 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Tri-Rivers Career Center

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

GROUP PURCHASING POOLS

Ohio School Plan

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

Stark County Schools Council of Governments Health Benefit Plan

The District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 2100 Thirty-Eighth Street Northwest, Canton, Ohio 44709.

B. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

C. Fund Accounting

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The District's major governmental funds are:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (b) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

D. Basis of Presentation

The District's basic financial statements consist of government-wide financial 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 - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net position - cash basis presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

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

E. Budgets

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2015, investments were limited to negotiable certificates of deposit, a sweep repurchase account and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2015 amounted to \$44,895, which includes \$6,998 assigned from other District funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Net Cash Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations and music and athletic programs. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Cash Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling 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 District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**NORTH UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund activities between governmental funds are eliminated in the statement of activities. The District did not have any interfund activity during fiscal year 2015.

M. 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 imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District does not have any restricted assets.

N. 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. Neither type of transaction occurred during fiscal year 2015.

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - ACCOUNTABILITY

Change in Accounting Principles

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the District's pension plan disclosures, as presented in Note 8 to the financial statements, and added other information which is presented on pages 49 - 55.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 may be deposited or invested in the following securities:

**NORTH UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$2,668,462, exclusive of the \$8,559,917 sweep repurchase account included in investments, below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, none of the District’s bank balance of \$2,759,606 was exposed to custodial risk.

C. Investments

As of June 30, 2015, the District had the following investments and maturities:

Investment type	Balance at Carrying Value	Balance at Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CDs	\$ 1,261,000	\$ 1,263,733	\$ -	\$ -	\$ 139,966	\$ 240,957	\$ 882,810
Sweep repurchase account	8,559,917	8,559,917	8,559,917	-	-	-	-
STAR Ohio	<u>467,367</u>	<u>467,367</u>	<u>467,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,288,284</u>	<u>\$ 10,291,017</u>	<u>\$ 9,027,284</u>	<u>\$ -</u>	<u>\$ 139,966</u>	<u>\$ 240,957</u>	<u>\$ 882,810</u>

The weighted average maturity of investments is 0.35 years.

Interest Rate Risk: Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investments in federal agency securities that underlie the sweep repurchase account were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 1,261,000	12.26
Sweep repurchase agreement	8,559,917	83.20
STAR Ohio	<u>467,367</u>	<u>4.54</u>
Total	<u>\$ 10,288,284</u>	<u>100.00</u>

D. Reconciliation of Cash to the Statement of Net Position - Cash Basis

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position - cash basis as of June 30, 2015:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 2,668,462
Investments	10,288,284
Cash on hand	<u>25</u>
Total	<u>\$ 12,956,771</u>
<u>Cash per statement of net position - cash basis</u>	
Governmental activities	\$ 12,676,621
Private purpose trust fund	204,996
Agency funds	<u>75,154</u>
Total	<u>\$ 12,956,771</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**NORTH UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - PROPERTY TAXES - (Continued)

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 195,978,400	95.37	\$ 186,147,040	94.98
Public utility personal	<u>9,523,320</u>	<u>4.63</u>	<u>9,837,660</u>	<u>5.02</u>
Total	<u>\$ 205,501,720</u>	<u>100.00</u>	<u>\$ 195,984,700</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$36.15		\$35.40	

NOTE 6 - INCOME TAX

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

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$5,000,000
Total per Year	7,000,000
Automobile Liability	5,000,000
Buildings and Contents - replacement cost	61,445,338

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 - RISK MANAGEMENT - (Continued)

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

For fiscal year 2015, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 8 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**NORTH UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 8 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$319,417 for fiscal year 2015.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$939,318 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$3,736,950	\$15,124,768	\$18,861,718
Proportion of the net pension liability	0.073839%	0.0621818%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,331,517	\$3,736,950	\$2,395,781

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$21,652,755	\$15,124,768	\$9,604,288

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$56,172, \$45,127, and \$44,358, respectively. For fiscal year 2015, 91.78 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

A. State Teachers Retirement System

Plan Description - The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$63,611, and \$64,243 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of fifty days for all employees. Employees who have accumulated more than one hundred twenty days of sick leave may, at retirement, be granted up to an additional five days of sick leave payment dependent on their years of service with the District.

B. Employee Insurance Benefits

The District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

C. Separation Benefits

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

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

At June 30, 2015, the School District did not have any liability for separation benefits.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS

During fiscal year 2015, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2014	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding June 30, 2015	Amounts Due in One Year
Governmental activities:					
<u>General obligation bonds:</u>					
Series 2012 Refunding Bonds					
Serial bonds, 1.5% - 3%	\$ 7,865,000	\$ -	\$ (630,000)	\$ 7,235,000	\$ 650,000
Capital lease obligation	<u>-</u>	<u>740,420</u>	<u>(133,687)</u>	<u>606,733</u>	<u>140,526</u>
Total governmental activities	<u>\$ 7,865,000</u>	<u>\$ 740,420</u>	<u>\$ (763,687)</u>	<u>\$ 7,841,733</u>	<u>\$ 790,526</u>

See Note 12 for information regarding the capital lease obligation.

Series 2012 Refunding General Obligation Bonds

On April 25, 2012, the District issued bonds, in the amount of \$8,595,000, to partially refund bonds previously issued in fiscal year 2003 for constructing and renovating the District's buildings. The refunding bond issue consists of serial bonds, in the amount of \$8,595,000. The bonds were issued for a seventeen year period, with final maturity in fiscal year 2029. The bonds are being repaid from the bond retirement debt service fund.

The serial bonds maturing on or after December 1, 2020, are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2019, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The scheduled payments of principal and interest on debt outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30	General Obligation Serial Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 650,000	\$ 180,950	\$ 830,950
2017	670,000	161,150	831,150
2018	690,000	145,925	835,925
2019	415,000	134,525	549,525
2020	430,000	124,000	554,000
2021 - 2025	2,305,000	451,226	2,756,226
2026 - 2029	<u>2,075,000</u>	<u>125,900</u>	<u>2,200,900</u>
Total	<u>\$ 7,235,000</u>	<u>\$ 1,323,676</u>	<u>\$ 8,558,676</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$10,909,932 (including available funds of \$506,309) and an unvoted debt margin of \$195,985.

NOTE 12 - CAPITAL LEASE - LESSEE DISCLOSURE

In the current fiscal year, the District entered into a lease agreement for copiers. This lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the basic financial statements.

Principal and interest payments in fiscal year 2015 were \$133,687 and \$33,985. These amounts are reported as debt service disbursements in the general fund.

The following is a schedule of the future minimum lease payments required under the lease agreement and the present value of the future minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	Amount
2016	\$ 167,671
2017	167,672
2018	167,671
2019	167,672
Total minimum lease payments	670,686
Less: amount representing interest	(63,953)
Present value of minimum lease payments	\$ 606,733

NOTE 13 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	259,964
Current year offsets	<u>(329,054)</u>
Total	<u>\$ (69,090)</u>
Set-aside balance June 30, 2015	<u><u>\$ -</u></u>

NOTE 14 - DONOR RESTRICTED ENDOWMENTS

The District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$75,927, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$129,069 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, 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 cash receipts, disbursements and change in fund balance - budget and actual - budgetary basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,552,858)
Net adjustment FY 14 unposted interest	(538)
Funds budgeted elsewhere	7,119
Adjustment for encumbrances	1,515,484
Cash basis	\$ (30,793)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the public school support fund.

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 1,527,979
Nonmajor governmental	78,335
Total	\$ 1,606,314

NOTE 17 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 17 - CONTINGENCIES

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

**OTHER INFORMATION - NET PENSION LIABILITY
AND CONTRIBUTIONS**

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.07383900%	0.07383900%
District's proportionate share of the net pension liability	\$ 3,736,950	\$ 4,390,968
District's covered-employee payroll	\$ 2,145,613	\$ 2,050,441
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	214.15%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Council's measurement date which is the prior fiscal year end.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.06218181%	0.06218181%
District's proportionate share of the net pension liability	\$ 15,124,768	\$ 18,016,525
District's covered-employee payroll	\$ 6,353,262	\$ 6,340,754
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	284.14%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Council's measurement date which is the prior fiscal year end.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 300,708	\$ 297,382	\$ 283,781	\$ 271,347
Contributions in relation to the contractually required contribution	<u>(300,708)</u>	<u>(297,382)</u>	<u>(283,781)</u>	<u>(271,347)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,281,548	\$ 2,145,613	\$ 2,050,441	\$ 2,017,450
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 243,941	\$ 263,809	\$ 187,239	\$ 175,114	\$ 172,586	\$ 159,939
<u>(243,941)</u>	<u>(263,809)</u>	<u>(187,239)</u>	<u>(175,114)</u>	<u>(172,586)</u>	<u>(159,939)</u>
<u>\$ -</u>					
\$ 1,940,660	\$ 1,948,368	\$ 1,902,835	\$ 1,783,238	\$ 1,615,974	\$ 1,511,711
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 939,318	\$ 825,924	\$ 824,298	\$ 836,587
Contributions in relation to the contractually required contribution	<u>(939,318)</u>	<u>(825,924)</u>	<u>(824,298)</u>	<u>(836,587)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,709,414	\$ 6,353,262	\$ 6,340,754	\$ 6,435,285
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 823,535	\$ 812,925	\$ 830,670	\$ 785,102	\$ 747,355	\$ 719,486
<u>(823,535)</u>	<u>(812,925)</u>	<u>(830,670)</u>	<u>(785,102)</u>	<u>(747,355)</u>	<u>(719,486)</u>
<u>\$ -</u>					
\$ 6,334,885	\$ 6,253,269	\$ 6,389,769	\$ 6,039,246	\$ 5,748,885	\$ 5,534,508
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE OTHER INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTAL INFORMATION

**NORTH UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2015	\$ 46,188	\$ 46,188
(D) (E) National School Lunch Program	10.555	2015	277,564	277,564
(C) (D) National School Lunch Program - Food Donation	10.555	2015	45,037	45,037
Total National School Lunch Program			322,601	322,601
Total Child Nutrition Grant Cluster			368,789	368,789
Total U.S. Department of Agriculture			368,789	368,789
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2014	19,586	26,229
Title I Grants to Local Educational Agencies	84.010	2015	178,755	168,935
Total Title I Grants to Local Educational Agencies			198,341	195,164
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2014	24,817	35,071
(F) Special Education_Grants to States	84.027	2015	253,753	237,248
Total Special Education _Grants to States			278,570	272,319
(F) Special Education_Preschool Grants	84.173	2015	4,269	4,269
Total Special Education Grant Cluster			282,839	276,588
Improving Teacher Quality State Grants	84.367	2014	353	957
Improving Teacher Quality State Grants	84.367	2015	58,138	56,686
Total Improving Teacher Quality State Grants			58,491	57,643
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act - Ohio Performance Assessment Pilot Grant	84.395A	2014	-	7,000
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act - Advanced Placement Network	84.395A	2014	-	224
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act			-	7,224
Total U.S. Department of Education			539,671	536,619
Total Federal Financial Assistance			\$ 908,460	\$ 905,408

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 North Union Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise North Union Local School District's basic financial statements and have issued our report thereon dated December 3, 2015, wherein we noted the North Union Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the North Union Local 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the North Union Local 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 North Union Local 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.

Board of Education
North Union Local School District

Compliance and Other Matters

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

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 North Union Local 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 North Union Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 3, 2015



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited North Union Local School District's 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 North Union Local School District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

North Union Local 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 North Union Local School District's compliance for North Union Local School District's major federal program 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 North Union Local 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 North Union Local School District's major program. However, our audit does not provide a legal determination of North Union Local School District's compliance.

Members of the Board of Education
North Union Local School District

Opinion on the Major Federal Program

In our opinion, North Union Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

North Union Local 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 North Union Local 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 North Union Local 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 over 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.



Julian & Grube, Inc.
December 3, 2015

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

NORTH UNION LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2016**