



Dave Yost • Auditor of State



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 18, 2017

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**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis of Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- Net position increased \$538,477.
- General revenues accounted for \$12,313,797 in revenue or approximately 78 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$3,524,842 or 22 percent of total revenues in the amount of \$15,838,639.
- Total assets increased \$260,521, primarily due to increases in property taxes receivable, and capital assets. Total liabilities increased \$1,506,412 primarily due to an increase in net pension liability.
- The School District had \$15,300,162 in expenses related to governmental activities; only \$3,524,842 of these expenses were offset by program specific charges for services, and operating grants and contributions. General revenues in the amount of \$12,313,797 were adequate to provide for these programs.
- Total Governmental funds had \$15,980,616 in revenues and \$16,022,813 in expenditures. Overall, including other financing sources and uses, total Governmental funds' balance decreased \$42,197.

**Using this Annual Financial Report**

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

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

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are reported as Governmental Activities including: instruction, support services, operation of non-instructional services, debt service operations, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, and the Debt Service Fund.

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

***Reporting the District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported as agency funds.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

The School District's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1			
Net Position			
Governmental Activities			
	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$8,452,779	\$8,349,127	\$103,652
Capital Assets	12,196,646	12,039,777	156,869
<b>Total Assets</b>	<b>20,649,425</b>	<b>20,388,904</b>	<b>260,521</b>
<b>Deferred Outflows of Resources</b>			
Pension	1,972,358	1,204,746	767,612
<b>Liabilities</b>			
Current and Other Liabilities	1,680,883	1,749,848	(68,965)
Long-Term Liabilities:			
Due Within One Year	542,026	492,620	49,406
Due in More Than One Year:			
Net Pension Liability	18,617,704	16,759,015	1,858,689
Other Amounts	1,920,858	2,253,576	(332,718)
<b>Total Liabilities</b>	<b>22,761,471</b>	<b>21,255,059</b>	<b>1,506,412</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,665,916	3,310,121	355,795
Pension	1,664,398	3,036,949	(1,372,551)
<b>Total Deferred Inflows of Resources</b>	<b>5,330,314</b>	<b>6,347,070</b>	<b>(1,016,756)</b>
<b>Net Position (Deficit)</b>			
Net Investment in Capital Assets	10,646,965	10,817,627	(170,662)
Restricted	1,384,541	1,520,492	(135,951)
Unrestricted	(17,501,508)	(18,346,598)	845,090
<b>Total Net Position (Deficit)</b>	<b>(\$5,470,002)</b>	<b>(\$6,008,479)</b>	<b>\$538,477</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets of governmental activities increased \$260,521. Current assets increased \$103,652, primarily due to increases in property taxes receivable as a result of increases in assessed valuation; this increase was offset by decreases in cash and cash equivalents as the School District spent the remaining proceeds from the energy conservation bonds during fiscal year 2016.

**Union Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

Capital assets increased \$156,869 primarily due to capital asset additions related to the energy conservation project; the increase was offset by annual depreciation.

Total liabilities increased \$1,506,412. Current and other liabilities decreased \$68,965 due primarily to a decrease in matured severance payable, which was offset by an increase in accrued wages and benefits related to staff salary raises. Long-term liabilities increased \$1,575,377 primarily due to increases in net pension liability which was offset by annual debt service payments.

Table 2 shows the changes in net position for fiscal year 2016 compared to fiscal year 2015.

Table 2  
 Changes in Net Position  
 Governmental Activities

	2016	2015	Change
<b>Revenues</b>			
<i>Program Revenue</i>			
Charges for Services	\$1,614,838	\$1,542,417	\$72,421
Operating Grants and Contributions	1,910,004	2,227,252	(317,248)
Capital Grants and Contributions	0	81,982	(81,982)
<b>Total Program Revenue</b>	<b>3,524,842</b>	<b>3,851,651</b>	<b>(326,809)</b>
<i>General Revenue</i>			
Property Taxes	4,303,497	3,678,017	625,480
Grants and Entitlements	7,861,761	7,750,905	110,856
Gifts and Donations	96,232	37,991	58,241
Investments	10,249	9,511	738
Miscellaneous	42,058	142,389	(100,331)
<b>Total General Revenue</b>	<b>12,313,797</b>	<b>11,618,813</b>	<b>694,984</b>
<b>Total Revenues</b>	<b>15,838,639</b>	<b>15,470,464</b>	<b>368,175</b>

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Table 2  
Changes in Net Position  
Governmental Activities

	2016	2015	Change
<b>Program Expenses</b>			
Instruction:			
Regular	7,090,941	6,694,827	396,114
Special	2,285,703	2,112,272	173,431
Vocational	411,858	307,640	104,218
Student Intervention Services	4,796	0	4,796
Support Services:			
Pupil	522,169	659,365	(137,196)
Instructional Staff	416,527	559,651	(143,124)
Board of Education	63,520	76,662	(13,142)
Administration	975,587	948,405	27,182
Fiscal	417,434	405,818	11,616
Operation and Maintenance of Plant	1,325,464	1,260,610	64,854
Pupil Transportation	828,763	848,826	(20,063)
Central	25,004	11,046	13,958
Operation of Non-Instructional Services	2,202	11,246	(9,044)
Food Service Operations	479,889	443,683	36,206
Extracurricular Activities	368,781	345,589	23,192
Interest and Fiscal Charges	81,524	81,631	(107)
<b>Total Expenses</b>	<b>15,300,162</b>	<b>14,767,271</b>	<b>532,891</b>
Change in Net Position	538,477	703,193	(164,716)
Net Position Beginning of Year	(6,008,479)	(6,711,672)	703,193
<b>Net Position End of Year</b>	<b>(\$5,470,002)</b>	<b>(\$6,008,479)</b>	<b>\$538,477</b>

Program revenues accounted for approximately 22 percent of the School District's revenues in fiscal year 2016. These revenues consist of tuition and fees, charges for providing lunches to students, grants for specified purposes.

In 2016 program revenues decreased primarily due to a decrease in federal funding. The decrease was compounded by an decrease in capital grants and contributions.

Instructional programs comprise approximately 64 percent of total governmental program expenses. Of the instructional expenses, approximately 73 percent is for regular instruction, approximately 23 percent for special instruction, and approximately 4 percent for vocational instruction, and student intervention services. Overall program expenses increased \$532,891.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2016 compared to fiscal year 2015. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Union Local School District**  
*Management's Discussion and Analysis*  
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Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction:				
Regular	\$7,090,941	\$6,694,827	\$5,505,371	\$5,178,548
Special	2,285,703	2,112,272	1,273,846	1,006,022
Vocational	411,858	307,640	319,877	202,730
Student Intervention Services	4,796	0	4,796	0
Support Services				
Pupil	522,169	659,365	478,254	563,166
Instructional Staff	416,527	559,651	376,128	447,345
Board of Education	63,520	76,662	63,520	76,662
Administration	975,587	948,405	869,668	838,484
Fiscal	417,434	405,818	383,256	365,306
Operation and Maintenance of Plant	1,325,464	1,260,610	1,274,830	1,204,600
Pupil Transportation	828,763	848,826	812,617	692,423
Central	25,004	11,046	25,004	11,046
Operation of Non-Instructional Services	2,202	11,246	417	70
Food Service Operations	479,889	443,683	46,655	34,735
Extracurricular Activities	368,781	345,589	259,557	212,852
Interest and Fiscal Charges	81,524	81,631	81,524	81,631
Total Expenses	<u>\$15,300,162</u>	<u>\$14,767,271</u>	<u>\$11,775,320</u>	<u>\$10,915,620</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 77 percent of program expenses are supported through taxes and other general revenues.

**The School District's Funds**

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The School District has two major funds, the General Fund, and the Debt Service Fund. The General Fund had revenues in the amount of \$13,962,838 and expenditures in the amount of \$13,326,984, which resulted in a fund balance increase in the amount of \$635,854. The Debt Service Fund had revenues in the amount of \$312,411 and expenditures in the amount of \$314,526, which resulted in a fund balance decrease in the amount of \$2,115.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2016, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflect an overall increase revenue estimates. Changes between the original and the final appropriations were not significant.

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*Management's Discussion and Analysis*  
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The actual results of operations were different than budgeted amounts as spending in almost all categories was lower than budgeted appropriations; the difference between actual revenues and final estimated revenues were not significant.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal 2016, the School District had \$12,196,646 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 4 shows fiscal 2016 balances compared to 2015:

Table 4  
Capital Assets Net of Depreciation  
Government Activities

	2016	2015
Land	\$1,842,760	\$1,842,760
Construction in Progress	9,757	9,757
Land Improvements - Depreciable	107,576	116,999
Buildings and Improvements	9,505,554	9,426,765
Furniture, Fixtures, and Equipment	162,198	168,835
Vehicles	568,801	474,661
<b>Totals</b>	<b>\$12,196,646</b>	<b>\$12,039,777</b>

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

**Debt**

At June 30, 2016, the School District had \$1,628,075 outstanding in general obligation bonds, including premiums, and accretion of interest with \$355,000 due within one year. The School District also had \$213,583 outstanding in capital leases with \$76,583 due within one year.

Table 5 summarizes bonds and capital leases outstanding:

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Table 5  
 Outstanding Debt at Year End  
 Government Activities

	2016	2015
2007 Refunding Bonds		
Serial/Term Bonds	\$315,000	\$605,000
Capital Appreciation Bonds	264,996	264,996
Accretion of Interest on CABs	291,977	248,470
Bond Premium	36,102	48,844
2015 Energy Conservation and		
School Improvement Term Bonds	720,000	740,000
Capital Leases	213,583	289,643
<b>Total</b>	<b>\$1,841,658</b>	<b>\$2,196,953</b>

See Note 15 for more detailed information on the School District's long-term obligations, including compensated absences and net pension liability.

**Economic Factors**

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

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

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

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

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**Union Local School District**

*Statement of Net Position*

*June 30, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,494,881
Accounts Receivable	10,250
Intergovernmental Receivable	387,976
Materials and Supplies Inventory	33,923
Property Taxes Receivable	4,525,749
Non-Depreciable Capital Assets	1,852,517
Depreciable Capital Assets, Net	<u>10,344,129</u>
<i>Total Assets</i>	<u>20,649,425</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>1,972,358</u>
<b>Liabilities</b>	
Accrued Wages and Benefits Payable	1,384,876
Intergovernmental Payable	266,496
Accounts Payable	27,207
Accrued Interest Payable	2,304
Long-Term Liabilities:	
Due Within One Year	542,026
Due in More Than One Year:	
Net Pension Liability (See Note 11)	18,617,704
Other Amounts	<u>1,920,858</u>
<i>Total Liabilities</i>	<u>22,761,471</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	3,665,916
Pension	<u>1,664,398</u>
Total Deferred Inflows of Resources	<u>5,330,314</u>
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	10,646,965
Restricted for:	
Capital Projects	24,634
Debt Service	925,180
Classroom Facilities Maintenance	250,824
Local Programs	84,101
Food Service	88,802
Other Purposes	11,000
Unrestricted	<u>(17,501,508)</u>
<i>Total Net Position (Deficit)</i>	<u><u>(\$5,470,002)</u></u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,090,941	\$1,378,417	\$207,153	(\$5,505,371)
Special	2,285,703	0	1,011,857	(1,273,846)
Vocational	411,858	0	91,981	(319,877)
Student Intervention Services	4,796	0	0	(4,796)
Support Services:				
Pupil	522,169	0	43,915	(478,254)
Instructional Staff	416,527	0	40,399	(376,128)
Board of Education	63,520	0	0	(63,520)
Administration	975,587	0	105,919	(869,668)
Fiscal	417,434	0	34,178	(383,256)
Operation and Maintenance of Plant	1,325,464	330	50,304	(1,274,830)
Pupil Transportation	828,763	0	16,146	(812,617)
Central	25,004	0	0	(25,004)
Operation of Non-Instructional Services	2,202	0	1,785	(417)
Food Service Operations	479,889	126,867	306,367	(46,655)
Extracurricular Activities	368,781	109,224	0	(259,557)
Interest and Fiscal Charges	81,524	0	0	(81,524)
<i>Total Governmental Activities</i>	<u>\$15,300,162</u>	<u>\$1,614,838</u>	<u>\$1,910,004</u>	<u>(11,775,320)</u>
<b>General Revenues</b>				
				3,962,590
				279,752
				61,155
				7,861,761
				96,232
				10,249
				42,058
<i>Total General Revenues</i>				<u>12,313,797</u>
Change in Net Position				538,477
<i>Net Position Beginning of Year</i>				<u>(6,008,479)</u>
<i>Net Position End of Year</i>				<u><u>(\$5,470,002)</u></u>

See accompanying notes to the basic financial statements

**Union Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,100,206	\$870,157	\$513,518	\$3,483,881
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,000	0	0	11,000
Receivables:				
Property Taxes	4,316,892	146,428	62,429	4,525,749
Accounts	10,250	0	0	10,250
Intergovernmental	271,338	0	116,638	387,976
Interfund	59,904	0	0	59,904
Materials and Supplies Inventory	5,634	0	28,289	33,923
<i>Total Assets</i>	<u>\$6,775,224</u>	<u>\$1,016,585</u>	<u>\$720,874</u>	<u>\$8,512,683</u>
<b>Liabilities</b>				
Accounts Payable	\$9,114	\$0	\$18,093	\$27,207
Accrued Wages and Benefits	1,311,420	0	73,456	1,384,876
Interfund Payable	0	0	59,904	59,904
Intergovernmental Payable	245,017	0	21,479	266,496
<i>Total Liabilities</i>	<u>1,565,551</u>	<u>0</u>	<u>172,932</u>	<u>1,738,483</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	3,523,886	89,101	52,929	3,665,916
Unavailable Revenue	353,311	15,733	22,053	391,097
<i>Total Deferred Inflows of Resources</i>	<u>3,877,197</u>	<u>104,834</u>	<u>74,982</u>	<u>4,057,013</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	5,634	0	23,557	29,191
Restricted for:				
Capital Outlay	0	0	24,634	24,634
Debt Service	0	911,751	0	911,751
Classroom Facilities Maintenance	0	0	250,591	250,591
Local Programs	0	0	84,101	84,101
Food Service Operations	0	0	65,245	65,245
Underground Storage Tank Premium	11,000	0	0	11,000
Committed to Capital Projects	0	0	12,057	12,057
Assigned to:				
Purchases on Order	456,787	0	0	456,787
Capital Projects	0	0	36,974	36,974
Unassigned (Deficit)	859,055	0	(24,199)	834,856
<i>Total Fund Balances</i>	<u>1,332,476</u>	<u>911,751</u>	<u>472,960</u>	<u>2,717,187</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$6,775,224</u>	<u>\$1,016,585</u>	<u>\$720,874</u>	<u>\$8,512,683</u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2016*

**Total Governmental Fund Balances** \$2,717,187

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 12,196,646

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

Intergovernmental	21,820	
Property Taxes	233,608	
Tuition and Fees	135,669	
Total		391,097

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas  
in the governmental funds, an interest expenditure is reported when due. (2,304)

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

General Obligation Serial Bonds	315,000	
General Obligation Capital Appreciation Bonds	264,996	
Capital Appreciation Bond Accretion	291,977	
Bond Premium	36,102	
General Obligation Term Bonds	720,000	
Capital Leases	213,583	
Compensated Absences	621,226	
Total		(2,462,884)

The net pension liability is not due and payable in the current period; therefore,  
the liability and related deferred inflows/outflows are not reported in the  
governmental funds:

Deferred Outflows - Pension	1,972,358	
Net Pension Liability	(18,617,704)	
Deferred Inflows - Pension	(1,664,398)	
Total		(18,309,744)

*Net Position of Governmental Activities* (\$5,470,002)

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,964,361	\$279,783	\$64,988	\$4,309,132
Intergovernmental	8,599,625	32,628	1,305,394	9,937,647
Interest	9,453	0	796	10,249
Tuition and Fees	1,348,877	0	0	1,348,877
Extracurricular Activities	8,863	0	100,361	109,224
Rent	330	0	0	330
Gifts and Donations	5,463	0	90,769	96,232
Charges for Services	0	0	126,867	126,867
Miscellaneous	25,866	0	16,192	42,058
<i>Total Revenues</i>	<u>13,962,838</u>	<u>312,411</u>	<u>1,705,367</u>	<u>15,980,616</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,660,746	0	134,753	6,795,499
Special	1,686,087	0	543,169	2,229,256
Vocational	397,949	0	0	397,949
Student Intervention Services	4,796	0	0	4,796
Support Services:				
Pupil	472,642	0	55,295	527,937
Instructional Staff	302,794	0	97,854	400,648
Board of Education	63,520	0	0	63,520
Administration	839,795	0	130,698	970,493
Fiscal	398,908	6,126	1,409	406,443
Operation and Maintenance of Plant	1,254,442	0	45,534	1,299,976
Pupil Transportation	868,108	0	37,679	905,787
Central	13,850	0	0	13,850
Operation of Non-Instructional Services	0	0	2,202	2,202
Food Service Operations	0	0	435,253	435,253
Extracurricular Activities	233,654	0	131,252	364,906
Capital Outlay	278	0	766,205	766,483
Debt Service:				
Principal Retirement	96,060	290,000	0	386,060
Interest and Fiscal Charges	33,355	18,400	0	51,755
<i>Total Expenditures</i>	<u>13,326,984</u>	<u>314,526</u>	<u>2,381,303</u>	<u>16,022,813</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>635,854</u>	<u>(2,115)</u>	<u>(675,936)</u>	<u>(42,197)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	6,255	6,255
Transfers Out	0	0	(6,255)	(6,255)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	635,854	(2,115)	(675,936)	(42,197)
<i>Fund Balances Beginning of Year</i>	<u>696,622</u>	<u>913,866</u>	<u>1,148,896</u>	<u>2,759,384</u>
<i>Fund Balances End of Year</i>	<u>\$1,332,476</u>	<u>\$911,751</u>	<u>\$472,960</u>	<u>\$2,717,187</u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

**Net Change in Fund Balances - Total Governmental Funds** (\$42,197)

*Amounts reported for governmental activities in the Statement of Activities are different because*

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

Capital Assets Additions	942,637	
Depreciation	(785,768)	
Total	156,869	156,869

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

Intergovernmental	(165,882)	
Property Taxes	(5,635)	
Tuition and Fees	29,540	
Total	(141,977)	(141,977)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General Obligation Bonds	310,000	
Capital Leases	76,060	
Total	386,060	386,060

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

Accrued Interest	996	
Accretion on Capital Appreciation Bonds	(43,507)	
Total	(42,511)	(42,511)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the Statement of Activities.

12,742

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

Compensated Absences		(71,983)
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Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

1,109,436

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the Statement of Activities.

(827,962)

*Changes in Net Position of Governmental Activities*

\$538,477

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$3,710,000	\$3,876,094	\$3,880,800	\$4,706
Intergovernmental	8,317,863	8,600,329	8,600,329	0
Interest	9,952	9,377	10,272	895
Tuition and Fees	1,175,061	1,212,804	1,212,804	0
Extracurricular Activities	8,587	8,863	8,863	0
Rent	320	330	330	0
Gifts and Donations	5,293	5,463	5,463	0
Miscellaneous	28,500	25,194	25,866	672
<i>Total Revenues</i>	<u>13,255,576</u>	<u>13,738,454</u>	<u>13,744,727</u>	<u>6,273</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,379,564	7,098,279	6,721,653	376,626
Special	1,764,752	1,680,455	1,632,920	47,535
Vocational	440,416	404,002	399,738	4,264
Student Intervention Services	5,250	4,870	4,796	74
Support Services:				
Pupil	580,400	539,858	513,165	26,693
Instructional Staff	390,675	308,475	297,219	11,256
Board of Education	102,234	95,511	92,307	3,204
Administration	935,410	869,198	854,425	14,773
Fiscal	483,900	410,170	406,873	3,297
Operation and Maintenance of Plant	1,437,117	1,471,277	1,457,589	13,688
Pupil Transportation	997,904	1,104,621	1,056,938	47,683
Central	15,307	13,850	13,850	0
Extracurricular Activities	256,747	228,247	218,802	9,445
Capital Outlay	0	1,501	1,501	0
Debt Service:				
Principal Retirement	15,005	83,000	83,000	0
Interest and Fiscal Charges	9,613	32,076	32,076	0
<i>Total Expenditures</i>	<u>14,814,294</u>	<u>14,345,390</u>	<u>13,786,852</u>	<u>558,538</u>
Excess of Revenues Under Expenditures	<u>(1,558,718)</u>	<u>(606,936)</u>	<u>(42,125)</u>	<u>564,811</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	84,337	84,337
Advances Out	(50,000)	(59,904)	(59,904)	0
Transfers In	200,000	282,539	0	(282,539)
Transfers Out	(248,000)	(1,272,417)	0	1,272,417
Total Other Financing Sources (Uses)	<u>(98,000)</u>	<u>(1,049,782)</u>	<u>24,433</u>	<u>1,074,215</u>
<i>Net Change in Fund Balance</i>	<u>(1,656,718)</u>	<u>(1,656,718)</u>	<u>(17,692)</u>	<u>1,639,026</u>
<i>Fund Balance Beginning of Year</i>	1,454,982	1,454,982	1,454,982	0
Prior Year Encumbrances Appropriated	<u>212,723</u>	<u>212,723</u>	<u>212,723</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$10,987</u>	<u>\$10,987</u>	<u>\$1,650,013</u>	<u>\$1,639,026</u>

See accompanying notes to the basic financial statements

**Union Local School District**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2016*

	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$24,912	\$43,018
<b>Liabilities</b>		
Undistributed Monies	0	\$9,868
Due to Students	0	33,150
<i>Total Liabilities</i>	0	\$43,018
<b>Net Position</b>		
Held in Trust for Scholarships	24,912	
<i>Total Net Position</i>	\$24,912	

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Changes in Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Private Purpose Trust Fund
<b>Additions</b>	
Contributions and Donations	\$16,824
<b>Deductions</b>	
Scholarships Awarded	21,300
<i>Change in Net Position</i>	(4,476)
<i>Net Position Beginning of Year</i>	29,388
<i>Net Position End of Year</i>	\$24,912

See accompanying notes to the basic financial statements

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**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1952 through the consolidation of the Union Township, Smith Local, Belmont, Bethesda, Lafferty, and Holloway schools. In 1968, the new Union Local School District was formed when the Flushing School District joined the consolidation. The combined high school, Union Local High School, was built in 1958, with the first class graduating in 1960. In the fall of 1998, the School District finished construction of a new high school. In the fall of 1999, construction of a new elementary school was complete, as well as renovations to the old high school which was converted into the middle school. It is located in Belmont County, and includes all of the Villages of Morristown, Belmont, Centerville, Bethesda, and Flushing. It is staffed by 53 non-certificated employees, 103 certificated full-time teaching personnel, and 15 administrative employees who provide services to 1,564 students. The School District currently operates two instructional/administrative buildings, one garage and one maintenance building.

*Reporting Entity:*

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

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's general purpose financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

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

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

**B. Fund Accounting**

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

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

### **C. Measurement Focus**

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

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

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

### **D. Basis of Accounting**

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the Governmental Fund Financial Statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 11 for more information.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

**E. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

**F. Cash and Cash Equivalents**

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

During fiscal year 2016, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$9,453, which includes \$4,492 assigned from other School District funds.

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

**G. Restricted Assets**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**K. Interfund Balances**

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

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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

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

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

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

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

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

**N. Bond Premiums, Bond Discounts, and Bond Issuance Costs**

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

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

**O. Internal Activity**

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

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

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

**P. Fund Balance**

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

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

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

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

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

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

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

### **Q. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Net position are reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs.

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

**R. 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.

**S. Estimates**

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

**T. Budgetary Data**

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

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$635,854
Revenue Accruals	(218,111)
Advances In	84,337
Expenditure Accruals	1,325
Advances Out	(59,904)
Encumbrances	<u>(461,193)</u>
Budget Basis	<u><u>(\$17,692)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the bank balance was \$3,902,053. Of the bank balance \$250,000 was covered by Federal depository insurance and the remaining balance of \$3,652,053 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County and Harrison County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$575,364 in the General Fund, \$41,594 in the Debt Service Fund, and \$9,267 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2015 was \$491,803 in the General Fund, \$35,435 in the Debt Service Fund, and \$8,331 in the Classroom Facilities Maintenance Special Revenue Fund.

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

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$160,584,410	94.45%	\$211,906,760	94.89%
Public Utility Personal	9,429,400	5.55%	11,422,030	5.11%
	\$170,013,810	100.00%	\$223,328,790	100.00%
Tax Rate per \$1,000 of assessed valuation	\$29.95		\$29.95	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016, consisted of property taxes, tuition and fees, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$233,608 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<b>Amounts</b>
Title II-A	\$14,594
Early Childhood Education	16,667
Early Childhood Special Education	797
Title I Grant	27,607
IDEA B Grant	52,425
21st Century Grant	4,548
Excess Costs from Other School Districts	271,338
Total Intergovernmental Receivable	\$387,976

**NOTE 8 - INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2016 consisted of the following individual interfund receivables and payables:

<u>Intrrfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Non-Major Governmental Funds	\$59,904

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

**B. Transfers**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>
	<u>Other Non-Major Governmental</u>
Other Non-Major Governmental	\$6,255

Transfers between Other Non-Major Governmental Funds were to move resources from a Capital Projects Fund to the Permanent Improvement Fund.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<b>Nondepreciable Capital Assets:</b>				
Land and Land Improvements	\$1,842,760	\$0	\$0	\$1,842,760
Construction in Progress	9,757	0	0	9,757
<b>Total Nondepreciable Capital Assets</b>	<b>1,852,517</b>	<b>0</b>	<b>0</b>	<b>1,852,517</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	141,341	0	0	141,341
Buildings and Improvements	20,489,157	740,710	0	21,229,867
Furniture and Equipment	351,407	43,527	0	394,934
Vehicles	1,528,643	158,400	(337,764)	1,349,279
<b>Total Depreciable Capital Assets</b>	<b>22,510,548</b>	<b>942,637</b>	<b>(337,764)</b>	<b>23,115,421</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(24,342)	(9,423)	0	(33,765)
Buildings and Improvements	(11,062,392)	(661,921)	0	(11,724,313)
Furniture and Equipment	(182,572)	(50,164)	0	(232,736)
Vehicles	(1,053,982)	(64,260)	337,764	(780,478)
<b>Total Accumulated Depreciation</b>	<b>(12,323,288)</b>	<b>(785,768)</b>	<b>337,764</b>	<b>(12,771,292)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>10,187,260</b>	<b>156,869</b>	<b>0</b>	<b>10,344,129</b>
<b>Governmental Capital Assets, Net</b>	<b>\$12,039,777</b>	<b>\$156,869</b>	<b>\$0</b>	<b>\$12,196,646</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$445,798
Special	81,805
Vocational	21,686
<b>Support Services:</b>	
Pupil	9,734
Instructional Staff	19,468
Administration	19,468
Fiscal	9,734
Operation of Maintenance and Plant	21,736
Pupil Transportation	82,453
Extracurricular	42,525
Food Service Operations	31,361
<b>Total Depreciation Expense</b>	<b><u>\$785,768</u></b>

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 10 - RISK MANAGEMENT**

**A. Property, Fleet and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts with Ohio Casualty Insurance for general liability, errors and omissions, property, and fleet insurance.

The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$3,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$1,000 deductible with total coverage of \$46,952,929. The fleet coverage has limits of liability of \$1,000,000 for each accident with a \$1,000 deductible.

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

**B. Employee Benefits**

The School District has contracted with the Stark County Schools' Council of Government Health Benefits Program (Council) to provide employee medical/surgical and dental, and vision benefits. The Council's Health Benefits Program is a shared risk pool comprised of 74 member school districts, educational service centers and related agencies, see Note 18 for further information about the Council. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an existing school district subsequent to the settlements of all expenses and claims. Premiums for this coverage are \$701.36 for individual coverage per month and \$1703.77 for family coverage per month. Employees contribute \$70.14 per month for single coverage and \$170.38 per month for family coverage, with the Board paying the balance of the premium. The premium is paid from the fund that pays the salary of the covered employee. Dental premiums are \$89.05 for individual coverage per month and \$219.72 for family coverage per month. Employees contribute \$8.91 per month for single coverage and \$21.97 per month for family coverage, with the Board paying the balance of the premium. Premiums for the vision coverage are \$19.00 for individual coverage per month and \$46.66 for family coverage per month. Employees contribute \$1.90 per month for single coverage and \$4.67 month for family coverage, with the Board paying the balance of the premium.

**C. Workers' Compensation**

For fiscal year 2016 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

GASB 68 assumes the liability is solely the obligation of employer school district, 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.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – School 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 the SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

**Union Local School District**  
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	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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 School District's contractually required contribution to SERS was \$268,472 for fiscal year 2016. Of this amount, \$45,994 has been reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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.

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*Notes to the Basic Financial Statements*  
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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 years 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 and five years 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 year 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.

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 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 bearing the risk of investment gain or loss on the account. STRS has therefore as 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 services 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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$840,964 for fiscal year 2016. Of this amount \$121,520 is reported as an intergovernmental payable.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05529900%	0.05739464%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05781720%</u>	<u>0.05542771%</u>	
Change in Proportionate Share	<u>0.00251820%</u>	<u>-0.00196693%</u>	
Proportionate Share of the Net Pension Liability	\$3,299,106	\$15,318,598	\$18,617,704
Pension Expense	\$244,728	\$583,234	\$827,962

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$53,121	\$698,335	\$751,456
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	111,466	0	111,466
School District contributions subsequent to measurement date	<u>268,472</u>	<u>840,964</u>	<u>1,109,436</u>
Total Deferred Outflows of Resources	<u>\$433,059</u>	<u>\$1,539,299</u>	<u>\$1,972,358</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$109,311	\$1,101,697	\$1,211,008
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>453,390</u>	<u>453,390</u>
Total Deferred Inflows of Resources	<u>\$109,311</u>	<u>\$1,555,087</u>	<u>\$1,664,398</u>

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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\$1,109,436 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$4,085)	(\$361,964)	(\$366,049)
2018	(4,085)	(361,964)	(366,049)
2019	(4,336)	(361,964)	(366,300)
2020	67,782	229,140	296,922
Total	\$55,276	(\$856,752)	(\$801,476)

***Actuarial Assumption - 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.

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 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.

**Union Local School District**  
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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 an arithmetic 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.

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	100.00 %	

**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 School 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%)
School District's proportionate share of the net pension liability	\$4,574,674	\$3,299,106	\$2,224,972

**Changes Between Measurement Date and Report Date**

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, 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, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate 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>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. 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, 2015.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School 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 School 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%)
School District's proportionate share of the net pension liability	\$21,278,688	\$15,318,598	\$10,278,453

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2016, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

**Health Care Plan Description** - The School 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](http://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 2016, no allocation 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.

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*Notes to the Basic Financial Statements*  
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For fiscal year 2016, this amount was \$23,000. 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. For fiscal year 2016, the School District's surcharge obligation was \$29,745.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$14,307, and \$2,103, respectively; 100 percent has been contributed for fiscal years 2016, 2015, and 2014.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$58,448. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Other Insurance Benefits**

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

**Union Local School District**  
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**NOTE 14 - CAPITAL LEASES – LESSEE DISCLOSURE**

During fiscal year 2009, the School District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor. During fiscal year 2013, the School District also entered into a capital lease for copiers.

The assets acquired by the leases have been capitalized in government wide statements governmental activities as land, buildings and improvements, and furniture, fixtures and equipment in the amount of \$660,591, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities for the total value of the lease. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$497,594. Principal payments in fiscal year 2016 totaled \$76,060, in the governmental funds.

Future minimum lease payments through 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$76,583	\$8,165
2018	67,000	5,524
2019	70,000	2,636
	<u>\$213,583</u>	<u>\$16,325</u>

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	<u>Outstanding 6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2016</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
2007 School Improvement Refunding Bonds					
Serial/Term Bonds \$1,365,000 @ 3.75% - 4.0%	\$605,000	\$0	\$290,000	\$315,000	\$315,000
Capital Appreciation Bonds \$264,995 @ 4.3% - 4.35%	264,996	0	0	264,996	0
Accretion of Interest \$385,005 @ 8.284%	248,470	43,507	0	291,977	0
Premium \$152,903	48,844	0	12,742	36,102	0
Total 2007 School Improvement Refunding Bonds	<u>1,167,310</u>	<u>43,507</u>	<u>302,742</u>	<u>908,075</u>	<u>315,000</u>
2015 Energy Conservation and School Improvement Bonds					
Term Bonds \$740,000 @ 3.05%	740,000	0	20,000	720,000	40,000
Total General Obligation Bonds	<u>1,907,310</u>	<u>43,507</u>	<u>322,742</u>	<u>1,628,075</u>	<u>355,000</u>
Net Pension Liability *					
SERS	2,798,652	500,454	0	3,299,106	0
STRS	13,960,363	1,358,235	0	15,318,598	0
Total Net Pension Liability	<u>16,759,015</u>	<u>1,858,689</u>	<u>0</u>	<u>18,617,704</u>	<u>0</u>
Capital Leases	289,643	0	76,060	213,583	76,583
Compensated Absences	549,243	147,530	75,547	621,226	110,443
Total Long-Term Liabilities	<u>\$19,505,211</u>	<u>\$2,049,726</u>	<u>\$474,349</u>	<u>\$21,080,588</u>	<u>\$542,026</u>

\* For additional information related to the net pension liability, see Note 11.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

The capital appreciation bonds were sold at an original price of \$264,995, with maturity dates of December 1, 2017 and 2018. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$650,000. The accretion recorded for fiscal year 2016 is \$43,507 for a total bond liability of \$556,973. The accretion will continue to be recorded over the life of the bonds.

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

Principal and interest requirements to retire general obligation bonds for the 2007 Refunding Bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest / Accretion
2017	\$315,000	\$6,300	\$0	\$0	\$315,000	\$6,300
2018	0	0	137,871	187,129	137,871	187,129
2019	0	0	127,125	197,876	127,125	197,876
	<u>\$315,000</u>	<u>\$6,300</u>	<u>\$264,996</u>	<u>\$385,005</u>	<u>\$579,996</u>	<u>\$391,305</u>

*2015 Energy Conservation and School Improvement Bonds* – On June 18, 2015, Union Local School District issued \$740,000 of general obligation bonds in accordance with House Bill 264. The bonds were issued to finance an energy conservation project. The term bonds were issued at a 3.05 percent interest rate, for a period of fourteen years with a final maturity of December 1, 2029.

The Term Bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at the redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the and in the respective principal amounts as follows:

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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Redemption Date (December 1)	Principal Amount to be Redeemed
2016	\$40,000
2017	45,000
2018	45,000
2019	45,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
2024	55,000
2025	55,000
2026	55,000
2027	60,000
2028	60,000

The remaining principal amount of such Term Bonds (\$60,000) will mature at stated maturity on December 1, 2029.

The principal and interest requirements to retire the remaining general obligation bonds for the 2015 Energy Conservation and School Improvement Bonds are as follows:

Fiscal Year Ending June 30	Term Bonds	
	Principal	Interest
2017	\$40,000	\$21,350
2018	45,000	20,054
2019	45,000	18,681
2020	45,000	17,309
2021	50,000	15,860
2022-2026	260,000	56,120
2027-2030	235,000	14,564
	\$720,000	\$163,938

The overall debt margin of the School District as of June 30, 2016 was \$19,718,427 with an unvoted debt margin of \$223,233.

The School District pays obligations related to employee compensation from the fund benefitting from their service.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 16 - COMMITMENTS**

**A. Encumbrances**

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

General	\$461,193
Other Non-major Governmental Funds	<u>104,876</u>
Total	<u><u>\$566,069</u></u>

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments* - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs.

During fiscal year 2015, the total amount paid to OME-RESA from the School District was \$41,121 for technology services, \$646 for in-service and co-op costs, \$250 for Hotline services, and \$9,203 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2016.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 18 - PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)* – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of \$1,760 for policy year 2016 was paid to CompManagement, Inc.

**B. Shared Risk Insurance Purchasing Pool**

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

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

The School District is required by State Statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	263,744
Current Year Offsets	(116,009)
Current Year Qualifying Expenditures	(268,279)
Totals	<u>(\$120,544)</u>
Balance Carried Forward to Fiscal Year 2017	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2016	<u>\$0</u>

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The School District had qualifying transfers and disbursements during the fiscal year that reduced the set-aside amount for capital improvements to below zero that may not be carried forward to future years. The School District also has capital expenditures paid from debt proceeds in connection with an energy conservation project that may be carried forward to offset future set-aside requirements.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

**B. State Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school 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 School 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, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

**C. Litigation**

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

**D. Paid Up Oil and Gas Leases**

*XTO Energy, Inc.* - The Board of Education has entered into a "Paid-Up" Oil and Gas Lease with XTO Energy, Inc. The lease is for 105 acres of property owned by the Union Local Board of Education, and is effective September 26, 2011, for a five year period (See Subsequent Event Note 21). In consideration of the execution of the lease, the School District received a signing bonus in the amount of \$501,039 in a prior fiscal year. The lease calls for payments to the School District, in addition to the bonus, royalties in the amount of 19 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. As of the date of the financial statements, no royalties were received and the lease has expired.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

**NOTE 21 - SUBSEQUENT EVENTS**

**A. Labor Negotiations**

As of the date of the financial statements, the School District remains in contract negotiations with the classified staff, represented by the Ohio Association of Public School Employees (OAPSE). The classified staff is currently working under an extension of the previous contract which expired on June 30, 2016.

**B. Oil/Gas Lease**

The School District’s “Paid-Up” Oil and Gas Lease with XTO Energy, Inc. expired on September 26, 2016, at the culmination of its five year period. The School District’s legal counsel is currently considering available lease opportunities. As of the date of the financial statements, no new lease agreements have been signed.

**Union Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.05781720%	0.05529900%	0.05529900%
School District's Proportionate Share of the Net Pension Liability	\$3,299,106	\$2,798,652	\$3,288,454
School District's Covered-Employee Payroll	\$1,744,757	\$1,617,309	\$1,495,164
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.09%	173.04%	219.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

**Union Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.05542771%	0.05739464%	0.05739464%
School District's Proportionate Share of the Net Pension Liability	\$15,318,598	\$13,960,363	\$16,629,493
School District's Covered-Employee Payroll	\$5,832,629	\$5,858,631	\$5,619,839
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	262.64%	238.29%	295.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

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**Union Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$268,472	\$229,959	\$224,159	\$206,931
Contributions in Relation to the Contractually Required Contribution	<u>(268,472)</u>	<u>(229,959)</u>	<u>(224,159)</u>	<u>(206,931)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,917,657	\$1,744,757	\$1,617,309	\$1,495,164
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$199,283	\$199,634	\$213,404	\$152,425	\$140,099	\$142,668
<u>(199,283)</u>	<u>(199,634)</u>	<u>(213,404)</u>	<u>(152,425)</u>	<u>(140,099)</u>	<u>(142,668)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,481,661	\$1,588,180	\$1,576,103	\$1,549,035	\$1,426,666	\$1,335,844
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**Union Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$840,964	\$816,568	\$761,622	\$730,579
Contributions in Relation to the Contractually Required Contribution	<u>(840,964)</u>	<u>(816,568)</u>	<u>(761,622)</u>	<u>(730,579)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$6,006,886	\$5,832,629	\$5,858,631	\$5,619,839
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$740,592	\$805,569	\$812,897	\$803,120	\$786,765	\$767,932
<u>(740,592)</u>	<u>(805,569)</u>	<u>(812,897)</u>	<u>(803,120)</u>	<u>(786,765)</u>	<u>(767,932)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,696,864	\$6,196,686	\$6,253,050	\$6,177,847	\$6,052,036	\$5,907,171
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program - Food Donation	10.555	2016	\$30,221
Cash Assistance:			
School Breakfast Program	10.553	2016	95,572
National School Lunch Program	10.555	2016	193,975
Cash Assistance Subtotal			<u>289,547</u>
Total Child Nutrition Cluster			319,768
Team Nutrition Grants	10.574	2016	<u>274</u>
Total U.S. Department of Agriculture			<u>320,042</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2015 2016	36,386 <u>265,542</u>
Total Title I Grants to Local Educational Agencies			301,928
Special Education Cluster:			
Special Education - Grants to States	84.027	2015 2016	37,725 <u>304,184</u>
Total Special Education - Grants to States			341,909
Special Education - Preschool Grants	84.173	2015 2016	2,162 <u>14,247</u>
Total Special Education - Preschool Grants			<u>16,409</u>
Total Special Education Cluster			358,318
Twenty-First Century Community Learning Centers	84.287	2015	2,874
Twenty-First Century Community Learning Centers - Success Program		2015 2016	975 <u>150,000</u>
Total Twenty-First Century Community Learning Centers			153,849
Improving Teacher Quality State Grants	84.367	2015 2016	13,115 <u>71,072</u>
Total Improving Teacher Quality State Grants			<u>84,187</u>
Total U.S. Department of Education			<u>898,282</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$1,218,324</u></u>

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

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net assets of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 3,468
Improving Teacher Quality State Grants	84.367	\$ 903



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 18, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 18, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Union Local School District's, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the 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 year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 18, 2017

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> <li>• Child Nutrition Cluster - CFDA #10.553 and #10.555</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**UNION LOCAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 31, 2017**