



Mary Taylor, CPA  
Auditor of State



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

April 18, 2008

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
(Unaudited)

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

***Financial Highlights***

Key financial highlights for 2007 are as follows:

- General revenues accounted for \$11,055,028 in revenue or 80.4 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,687,209 or 19.6 percent of total revenues of \$13,742,237.
- Total program expenses were \$13,684,572.
- In total, net assets increased \$57,665.
- Outstanding bonded debt decreased from \$2,760,000 to \$2,639,995 during 2007.

***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 District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2007*  
*(Unaudited)*

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the District's major funds begins on page 8. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Debt Service Fund.

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



**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2007*  
*(Unaudited)*

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

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The School District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2007 compared to 2006:

**(Table 1)**  
**Net Assets**  
**Governmental Activities**

	2007	2006
<b>Assets</b>		
Current and Other Assets	\$ 5,046,088	\$ 4,523,313
Capital Assets	13,294,941	13,689,000
Total Assets	18,341,029	18,212,313
<b>Liabilities</b>		
Other Liabilities	3,684,477	3,570,017
Long-Term Liabilities	3,779,015	3,822,424
Total Liabilities	7,463,492	7,392,441
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	10,592,004	10,929,000
Restricted	1,184,693	1,002,333
Unrestricted (Deficit)	(899,160)	(1,111,461)
Total Net Assets	\$ 10,877,537	\$ 10,819,872

Total net assets increased by \$57,665. A decrease of \$394,059 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased by \$71,051, which was primarily a result of increased matured compensated absences and accrued wages and benefits.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2007*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Change in Net Assets**  
**Governmental Activities**

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
<i>Program Revenues</i>		
Charges for Services and Sales	\$ 866,804	\$ 802,311
Operating Grants and Contributions	1,800,809	1,737,978
Capital Grants and Contributions	19,596	31,034
<i>General Revenues</i>		
Property Taxes	3,023,397	2,645,592
Grants and Entitlements	7,879,182	7,609,644
Other	152,449	91,592
<i>Total Revenues</i>	<u>13,742,237</u>	<u>12,918,151</u>
<b>Program Expenses</b>		
Instruction	8,484,952	8,123,495
Support Services:		
Pupils and Instructional Staff	1,092,571	934,856
Board of Education, Administration and Fiscal	1,176,148	1,182,770
Operation and Maintenance of Plant	1,247,643	1,157,936
Pupil Transportation	702,065	649,009
Central	27,795	22,623
Operation of Non-instructional Services		
Food Service Operations	533,189	493,068
Community Services	4,020	10,977
Extracurricular Activities	299,164	272,565
Interest and Fiscal Charges	117,025	167,969
<i>Total Expenses</i>	<u>13,684,572</u>	<u>13,015,268</u>
<i>Change in Net Assets</i>	57,665	(97,117)
<i>Net Assets, Beginning of Year</i>	<u>10,819,872</u>	<u>10,916,989</u>
<i>Net Assets, End of Year</i>	<u><u>\$ 10,877,537</u></u>	<u><u>\$ 10,819,872</u></u>

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2007*  
*(Unaudited)*

**Governmental Activities**

Several revenue sources fund the District's governmental activities with intergovernmental revenue in the form of operating grants and unrestricted grants and entitlements being the largest contributor. Intergovernmental revenue generated \$9,699,587 in 2007. Property tax levies generated \$3,023,397 in 2007. With the combination of taxes and intergovernmental funding nearly 93 percent of expenses in governmental activities, the District monitors both of these revenue sources very closely for fluctuations.

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

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

	Total Cost of Service 2007	Total Cost of Service 2006	Net Cost of Service 2007	Net Cost of Service 2006
Instruction	\$ 8,484,952	\$ 8,123,495	\$ (6,877,074)	\$ (6,350,952)
Support Services:				
Pupil and Instructional Staff	1,092,571	934,856	(595,090)	(792,554)
Board of Education, Administration, Fiscal and Central	1,203,943	1,205,393	(1,198,943)	(1,147,857)
Operation and Maintenance of Plant	1,247,643	1,157,936	(1,238,643)	(1,148,936)
Pupil Transportation	702,065	649,009	(662,228)	(620,784)
Food Service Operations	533,189	493,068	(109,272)	(46,272)
Community Services	4,020	10,977	(4,020)	(10,977)
Extracurricular Activities	299,164	272,565	(195,068)	(157,644)
Interest and Fiscal Charges	117,025	167,969	(117,025)	(167,969)
<b>Total Expenses</b>	<b>\$ 13,684,572</b>	<b>\$ 13,015,268</b>	<b>\$ (10,997,363)</b>	<b>\$ (10,443,945)</b>

Instruction and pupil/instructional support services comprise 70.0 percent of governmental program expenses. Other support services such as board of education, administration, fiscal, business and central were 8.8 percent of governmental program expenses. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the District. Interest and fiscal charges were .9 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 14.2 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations and community services, comprises 3.9 percent of governmental program expenses. Extracurricular activities comprise 2.2 percent of total expenses.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2007*  
*(Unaudited)*

***The District's Funds***

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues including other financing sources of \$15,595,470 and expenditures including other financing uses of \$15,289,372. The net change in governmental fund balance for the year totaled \$306,098.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2007, the District did not significantly modify its General Fund budget.

For the General Fund, final budget basis revenue including other financing sources was \$10,742,650, equaling the original budget estimates of \$10,742,650.

Final appropriations including other financing uses, were \$134,405 higher than the original budget estimates of \$11,400,000.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2007, the District had \$13,294,941 invested in land, buildings and improvements, furniture and equipment, and vehicles. See note 8 for additional details. Table 4 shows fiscal year 2007 balances compared with 2006.

**(Table 4)**  
**Capital Assets at June 30**  
**Governmental Activities**

	2007	2006	
Land	\$ 1,842,760	\$ 1,842,760	
Buildings and Improvements	11,100,949	11,615,007	
Furniture and Equipment	61,383	0	
Vehicles	289,849	231,233	
Totals	\$ 13,294,941	\$ 13,689,000	

All capital assets, except land, are reported net of depreciation. The \$394,059 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2007*  
*(Unaudited)*

Senate Bill 345 requires the District to set aside \$158.49 per pupil of certain General Fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2007, this amounted to \$222,848 for each set aside. The District has qualifying disbursements or offsets exceeding the requirements for capital improvements. The District did not have enough qualifying disbursements or offsets to exceed the requirements for textbook and materials reserve and is required to establish a fund balance reserve. More detailed information is presented in Note 17 of the notes to the basic financial statements.

**Debt**

At June 30, 2007, the District had \$2,639,995 in bonds outstanding with \$190,000 due within one year. See note 13 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2007	Governmental Activities 2006
1997 General Obligation Bonds	\$ 1,010,000	\$ 2,760,000
2007 School Improvement Refunding Bonds	1,365,000	0
2007 School Improvement Capital Appreciation Bonds	264,995	0
Total	\$ 2,639,995	\$ 2,760,000

***Current Issues***

The District is currently financially stable. As the preceding information shows, the District relies heavily on state funding as well as its local property taxpayers. The District has not passed an operating levy since 1976 and our permanent improvement levy has not been successful at renewal for several years.

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

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

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**Union Local School District**

*Statement of Net Assets*

*June 30, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,195,145
Receivables:	
Taxes	2,623,349
Accounts	5,926
Intergovernmental	54,449
Prepaid Items	9,427
Inventory Held For Resale	5,999
Materials and Supplies Inventory	89,769
Deferred Charges	62,024
Nondepreciable Capital Assets	1,842,760
Depreciable Capital Assets, Net	<u>11,452,181</u>
<i>Total Assets</i>	<u>18,341,029</u>
<b>Liabilities</b>	
Accounts Payable	35,746
Accrued Wages and Benefits	989,848
Matured Compensated Absences Payable	74,337
Intergovernmental Payable	413,153
Deferred Revenue	2,161,175
Accrued Interest Payable	10,218
Long Term Liabilities:	
Due Within One Year	265,174
Due in More Than One Year	<u>3,513,841</u>
<i>Total Liabilities</i>	<u>7,463,492</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	10,592,004
Restricted for:	
Capital Projects	264,004
Debt Service	735,955
Other Purposes	148,847
Set-Asides	35,887
Unrestricted	<u>(899,160)</u>
<i>Total Net Assets</i>	<u>\$ 10,877,537</u>

See the accompanying notes to the basic financial statements.

**Union Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 6,325,947	\$ 619,026	\$ 127,535	\$ 0	\$ (5,579,386)
Special	1,761,863	2,527	746,227	0	(1,013,109)
Vocational	247,469	0	59,779	0	(187,690)
Intervention	149,673	0	52,784	0	(96,889)
Support Services:					
Pupils	546,474	0	140,758	0	(405,716)
Instructional Staff	546,097	0	356,723	0	(189,374)
Board of Education	100,146	0	0	0	(100,146)
Administration	787,829	0	0	0	(787,829)
Fiscal	288,173	0	0	0	(288,173)
Operation and Maintenance of Plant	1,247,643	0	9,000	0	(1,238,643)
Pupil Transportation	702,065	20,241	0	19,596	(662,228)
Central	27,795	0	5,000	0	(22,795)
Operation of Non-instructional Services:					
Food Service Operations	533,189	143,084	280,833	0	(109,272)
Community Services	4,020	0	0	0	(4,020)
Extracurricular Activities	299,164	81,926	22,170	0	(195,068)
Interest and Fiscal Charges	117,025	0	0	0	(117,025)
<i>Total Governmental Activities</i>	<u>\$ 13,684,572</u>	<u>\$ 866,804</u>	<u>\$ 1,800,809</u>	<u>\$ 19,596</u>	<u>(10,997,363)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					2,647,572
Debt Service					323,567
Capital Outlay					52,258
Grants and Entitlements Not Restricted to Specific Programs					7,879,182
Investment Earnings					85,470
Miscellaneous					66,979
<i>Total General Revenues</i>					<u>11,055,028</u>
<i>Change in Net Assets</i>					57,665
<i>Net Assets Beginning of Year</i>					<u>10,819,872</u>
<i>Net Assets End of Year</i>					<u>\$ 10,877,537</u>

See the accompanying notes to the basic financial statements.



**Union Local School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 874,750	\$ 685,166	\$ 579,947	\$ 2,139,863
Restricted Cash and Cash Equivalents	55,282	0	0	55,282
Receivables:				
Taxes	2,296,218	288,231	38,900	2,623,349
Accounts	5,926	0	0	5,926
Interfund	29,160	0	0	29,160
Intergovernmental	0	0	54,449	54,449
Prepaid Items	9,427	0	0	9,427
Inventory Held For Resale	0	0	5,999	5,999
Materials and Supplies Inventory	89,769	0	0	89,769
<i>Total Assets</i>	<u>\$ 3,360,532</u>	<u>\$ 973,397</u>	<u>\$ 679,295</u>	<u>\$ 5,013,224</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 33,656	\$ 0	\$ 2,090	\$ 35,746
Accrued Wages and Benefits	868,685	0	121,163	989,848
Matured Compensated Absences Payable	74,337	0	0	74,337
Interfund Payable	0	0	29,160	29,160
Intergovernmental Payable	369,242	0	43,911	413,153
Deferred Revenue	2,099,436	263,530	70,455	2,433,421
<i>Total Liabilities</i>	<u>3,445,356</u>	<u>263,530</u>	<u>266,779</u>	<u>3,975,665</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	33,328	0	38,003	71,331
Reserved for Bus Purchases	19,395	0	0	19,395
Reserved for Property Taxes	196,782	24,701	3,293	224,776
Reserved for Textbooks	35,887	0	0	35,887
Unreserved, Undesignated, Reported in:				
General Fund	(370,216)	0	0	(370,216)
Special Revenue Funds	0	0	106,311	106,311
Debt Service Fund	0	685,166	0	685,166
Capital Projects Funds	0	0	264,909	264,909
<i>Total Fund Balances (Deficit)</i>	<u>(84,824)</u>	<u>709,867</u>	<u>412,516</u>	<u>1,037,559</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,360,532</u>	<u>\$ 973,397</u>	<u>\$ 679,295</u>	<u>\$ 5,013,224</u>

See the accompanying notes to the basic financial statements.

**Union Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2007*

<b>Total Governmental Fund Balances</b>	\$	1,037,559
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,294,941
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 34,848	
Delinquent Property Taxes	<u>237,398</u>	
Total		272,246
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		62,024
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(10,218)
In the statement of activities, bond refunding costs are amortized over the term of the bonds, whereas in the governmental funds, a bond issuance expenditure is reported when bonds are issued.		88,750
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(2,375,000)	
Capital Appreciation Bonds	(264,995)	
Accretion on Capital Appreciation Bonds	(3,624)	
Bond Premium	(150,779)	
Compensated Absences	(1,010,430)	
Capital Leases Payable	<u>(62,937)</u>	
Total		<u>(3,867,765)</u>
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>10,877,537</u></u>

See the 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, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 2,522,117	\$ 308,782	\$ 48,780	\$ 2,879,679
Intergovernmental	8,108,609	38,635	1,547,513	9,694,757
Investment Income	76,917	0	8,553	85,470
Tuition and Fees	613,433	0	0	613,433
Extracurricular Activities	0	0	102,167	102,167
Rentals	8,120	0	0	8,120
Charges for Services	0	0	143,084	143,084
Contributions and Donations	2,766	0	22,670	25,436
Miscellaneous	53,411	4,440	9,128	66,979
<i>Total Revenues</i>	<u>11,385,373</u>	<u>351,857</u>	<u>1,881,895</u>	<u>13,619,125</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,610,225	0	437,585	6,047,810
Special	1,277,784	0	403,398	1,681,182
Vocational	228,555	0	0	228,555
Intervention	43,661	0	106,012	149,673
Support Services:				
Pupils	419,383	0	133,217	552,600
Instructional Staff	477,659	0	49,068	526,727
Board of Education	100,146	0	0	100,146
Administration	721,759	0	56,259	778,018
Fiscal	280,169	6,726	1,082	287,977
Operation and Maintenance of Plant	1,133,807	0	25,191	1,158,998
Pupil Transportation	736,865	0	24,321	761,186
Central	22,755	0	5,040	27,795
Operation of Non-Instructional Services:				
Food Service Operations	0	0	502,654	502,654
Community Services	4,020	0	0	4,020
Extracurricular Activities	201,235	0	115,208	316,443
Capital Outlay	88,830	0	12,868	101,698
Debt Service:				
Principal Retirement	7,889	120,000	0	127,889
Interest and Fiscal Charges	3,608	113,340	0	116,948
Issuance Costs	0	62,898	0	62,898
<i>Total Expenditures</i>	<u>11,358,350</u>	<u>302,964</u>	<u>1,871,903</u>	<u>13,533,217</u>
<i>Excess of Revenues Over Expenditures</i>	<u>27,023</u>	<u>48,893</u>	<u>9,992</u>	<u>85,908</u>
<b>Other Financing Sources/(Uses)</b>				
Refunding Bonds Issued	0	1,629,995	0	1,629,995
Inception of Capital Lease	70,826	0	0	70,826
Premium on Refunding Bonds Issued	0	152,903	0	152,903
Payment to Refunded Bond Escrow Agent	0	(1,720,000)	0	(1,720,000)
Transfers In	86,466	0	36,155	122,621
Transfers Out	(36,155)	0	0	(36,155)
<i>Total Financing Sources/(Uses)</i>	<u>121,137</u>	<u>62,898</u>	<u>36,155</u>	<u>220,190</u>
<i>Net Change in Fund Balance</i>	148,160	111,791	46,147	306,098
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(232,984)</u>	<u>598,076</u>	<u>366,369</u>	<u>731,461</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (84,824)</u>	<u>\$ 709,867</u>	<u>\$ 412,516</u>	<u>\$ 1,037,559</u>

See the accompanying notes to the basic financial statements.

**Union Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 306,098

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

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

Capital Asset Additions	\$ 204,528	
Current Year Depreciation	(598,587)	
Total		(394,059)

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

Grants	(20,606)	
Delinquent Property Taxes	143,718	
Total		123,112

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

Bond Principal	1,750,000	
Capital Leases	7,889	
Total		1,757,889

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Inception of Capital Leases	(70,826)	
Proceeds of Bonds	(1,629,995)	
Total		(1,700,821)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 3,547

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	51,994	
Bond Premium	(150,779)	
Bond Issuance Costs	62,024	
Bond Accretion	(3,624)	
Loss on Refunding	88,750	
Total		48,365

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (86,466)

*Change in Net Assets of Governmental Activities* \$ 57,665

See the 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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 2,220,000	\$ 2,220,000	\$ 2,325,335	\$ 105,335
Intergovernmental	7,876,400	7,876,400	8,056,109	179,709
Investment Income	60,000	60,000	83,126	23,126
Tuition and Fees	559,450	559,450	613,445	53,995
Rentals	9,000	9,000	7,329	(1,671)
Charges for Services	0	0	459	459
Contributions and Donations	300	300	2,766	2,466
Miscellaneous	1,000	1,000	29,439	28,439
<i>Total Revenues</i>	<u>10,726,150</u>	<u>10,726,150</u>	<u>11,118,008</u>	<u>391,858</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,628,548	5,661,343	5,532,903	128,440
Special	1,269,000	1,264,314	1,247,436	16,878
Vocational	234,825	237,289	230,835	6,454
Other	47,428	44,856	43,622	1,234
Support Services:				
Pupils	408,001	419,618	401,068	18,550
Instructional Staff	477,420	496,256	469,308	26,948
Board of Education	101,712	120,480	99,984	20,496
Administration	715,227	725,622	703,073	22,549
Fiscal	283,940	285,548	279,115	6,433
Operation and Maintenance of Plant	1,148,999	1,186,576	1,129,474	57,102
Pupil Transportation	738,533	739,028	725,983	13,045
Central	23,657	25,292	23,255	2,037
Operation of Non-Instructional Services:				
Community Services	4,089	4,320	4,020	300
Extracurricular Activities	161,255	166,863	158,515	8,348
Capital Outlay	90,366	90,000	88,830	1,170
<i>Total Expenditures</i>	<u>11,333,000</u>	<u>11,467,405</u>	<u>11,137,421</u>	<u>329,984</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(606,850)</u>	<u>(741,255)</u>	<u>(19,413)</u>	<u>721,842</u>
<b>Other Financing Sources/(Uses)</b>				
Proceeds from Sale of Capital Assets	500	500	5,981	5,481
Refund of Prior Year Expenditures	16,000	16,000	64,996	48,996
Advances Out	(30,000)	(30,000)	(29,160)	840
Transfers In	0	0	86,466	86,466
Transfers Out	(37,000)	(37,000)	(36,155)	845
<i>Total Other Financing Sources/(Uses)</i>	<u>(50,500)</u>	<u>(50,500)</u>	<u>92,128</u>	<u>142,628</u>
<i>Net Change in Fund Balance</i>	<u>(657,350)</u>	<u>(791,755)</u>	<u>72,715</u>	<u>864,470</u>
<i>Fund Balance Beginning of Year</i>	678,584	678,584	678,584	0
Prior Year Encumbrances Appropriated	134,402	134,402	134,402	0
<i>Fund Balance End of Year</i>	<u>\$ 155,636</u>	<u>\$ 21,231</u>	<u>\$ 885,701</u>	<u>\$ 864,470</u>

See the accompanying notes to the basic financial statements.

**Union Local School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2007*

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	Governmental Activities - Internal Service Fund
<b>Non-Operating Expenses</b>	
Transfers Out	\$ (86,466)
<i>Change in Net Assets</i>	(86,466)
<i>Net Assets Beginning of Year</i>	86,466
<i>Net Assets End of Year</i>	\$ 0

See the accompanying notes to the basic financial statements.

**Union Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2007

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	Governmental Activities - Internal Service Fund
<i>Decrease in Cash and Cash Equivalents</i>	
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Transfers to Other Funds	\$ (86,466)
<i>Net Decrease in Cash and Cash Equivalents</i>	(86,466)
<i>Cash and Cash Equivalents Beginning of Year</i>	86,466
<i>Cash and Cash Equivalents End of Year</i>	\$ 0

See the accompanying notes to the basic financial statements.

**Union Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2007*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 11,111	\$ 47,036
<b>Liabilities</b>		
Due to Students	0	\$ 47,036
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 11,111	

See the accompanying notes to the basic financial statements.



**Union Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2007*

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	<u>Private Purpose Trust Scholarship</u>
<b>Additions</b>	
Gifts and Contributions	<u>\$ 11,078</u>
<b>Deductions</b>	
Scholarships Awarded	<u>12,000</u>
<i>Change in Net Assets</i>	(922)
<i>Net Assets Beginning of Year</i>	<u>12,033</u>
<i>Net Assets End of Year</i>	<u><u>\$ 11,111</u></u>

See the 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, 2007*

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**Note 1: Description of the District and Reporting Entity**

The Union Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership on, or as of October 1, 2006, was 1,485. The District employs 126 certificated and 58 non-certificated employees.

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

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

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

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

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

**A. Basis of Presentation**

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

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

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

***B. Fund Accounting***

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

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

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

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

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

***Proprietary Fund Types*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The District only has an internal service fund.

***Internal Service Fund*** – The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's internal service funds account for funds for the operation of the District's self-insurance program for employee prescription drug and dental claims. The District's self-insurance program ended in fiscal year 2006 and the Board approved a final transfer of remaining resources to the District's General Fund on September 26, 2006.

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

**C. Measurement Focus**

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

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

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

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

**D. Basis of Accounting**

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Budgetary 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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

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

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

***F. Cash and Cash Equivalents***

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

During fiscal year 2007, the 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 2007 amounted to \$76,917, which includes \$44,870 assigned from other District funds.

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

***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include unspent resources restricted for the purchase of buses and amounts required by statute to be set aside for the purchase of textbooks and other instructional materials.

***H. Prepaid Items***

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



**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

***I. Inventory***

Inventories are reported at cost on a first-in, first-out basis and are expensed when used.

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

***J. Deferred Charges***

On the governmental fund statements, bond issuance costs are recorded as expenditures when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

***K. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of five thousand dollars for all assets. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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

Description	Estimated Lives
Buildings and Building Improvements	30 Years
Furniture and Equipment	10-20 Years
Vehicles	5-10 Years

***L. Compensated Absences***

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

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

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

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

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

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

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2007, none of the District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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

***O. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***P. Operating Revenues and Expenses***

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

***R. Estimates***

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

***S. Interfund Balances***

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 3: Fund Deficits**

Fund balances at June 30, 2007, included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 84,824
<i>Nonmajor Special Revenue Funds:</i>	
Title I	28,602
Class Size Reduction	12,620
Food Service	66,132

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

The nonmajor special revenue funds' deficit fund balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, rather than when accruals occur.

**Note 4: Budgetary Basis of Accounting**

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 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 (Continued)*  
For the Fiscal Year Ended June 30, 2007

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

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

<u><b>Net Change in Fund Balance</b></u>	
GAAP Basis	\$ 148,160
Net Adjustment for Revenue Accruals	(267,214)
Advances Out	(29,160)
Net Adjustment for Expenditure Accruals	265,271
Adjustment for Encumbrances	<u>(44,342)</u>
Budget Basis	<u><u>\$ 72,715</u></u>

**Note 5: Deposits and Investments**

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

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

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

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

Interim monies can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 5: Cash and Cash Equivalents (Continued)**

4. Bonds and any other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in Division (1) or (2) of Ohio Rev. Code Section 135.18 and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, governing board or qualified trustees, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$2,148,401 of the District's bank balance of \$2,312,350, including the payroll account balance of \$9,478, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the 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.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 6: Property Taxes**

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

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

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 6: Property Taxes (Continued)**

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

	2006 Second-Half Collections		2007 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 94,760,290	86.14%	\$ 113,582,520	89.89%
Tangible Personal Property	7,430,592	6.76%	5,064,870	4.01%
Personal Public Utility	7,815,500	7.10%	7,711,530	6.10%
<b>Total Assessed Value</b>	<b>\$ 110,006,382</b>	<b>100%</b>	<b>\$ 126,358,920</b>	<b>100%</b>
 Tax rate per \$1000 of assessed value	 <u>\$ 33.35</u>		 <u>\$ 31.90</u>	

**Note 7: Receivables**

Receivables at June 30, 2007 consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All are expected to be received within one year.

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**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2007

**Note 8: Capital Assets**

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2007</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land and Improvements	\$ 1,842,760	\$ 0	\$ 0	\$ 1,842,760
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	17,597,481	15,538	0	17,613,019
Furniture and Equipment	0	70,826	0	70,826
Vehicles	1,289,808	118,164	(222,000)	1,185,972
Total Capital Assets, being depreciated	18,887,289	204,528	(222,000)	18,869,817
Less Accumulated Depreciation:				
Buildings and Improvements	(5,982,474)	(529,596)	0	(6,512,070)
Furniture and Equipment	0	(9,443)	0	(9,443)
Vehicles	(1,058,575)	(59,548)	222,000	(896,123)
Total Accumulated Depreciation	(7,041,049)	(598,587) *	222,000	(7,417,636)
Total Capital Assets being depreciated, net	11,846,240	(394,059)	0	11,452,181
Governmental Activities Capital Assets, Net	<u>\$ 13,689,000</u>	<u>\$ (394,059)</u>	<u>\$ 0</u>	<u>\$ 13,294,941</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 364,634
Special	65,181
Vocational	16,295
Support Services:	
Pupils	8,148
Instructional Staff	16,295
Administration	19,600
Pupil Transportation	59,548
Operation of Non-Instructional Services:	
Food Service Operations	32,591
Extracurricular Activities	16,295
Total Depreciation Expense	<u>\$ 598,587</u>

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 9: Risk Management**

**A. General Insurance**

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

The District contracted with Indiana Insurance for property coverage. The property insurance policy is a replacement cost policy with a \$1,000,000 deductible.

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

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

**B. Workers' Compensation**

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

**Note 10: Pension Plans**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 10: Pension Plans (Continued)**

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

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

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006 and 2005 were \$827,004, \$769,212 and \$751,344, respectively; 82 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

***B. School Employees Retirement System***

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 10: Pension Plans (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$207,384, \$182,664 and \$189,492, respectively; 47 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$109,212, representing the unpaid contribution for fiscal year 2007, is recorded as a liability within the respective funds.

**Note 11: Postemployment Benefits**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DC and Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equaled to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$59,072 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the fund was \$3.5 billion. For the year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to retirees, and their dependents, with 10 years or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$70,838.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 11: Postemployment Benefits (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. Net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. SERS has 59,492 participants currently receiving health care benefits.

**Note 12 – Other Employee Benefits**

***A. Compensated Absences***

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

***B. Health/Life Insurance***

The District contracts with Medical Mutual of Ohio for hospitalization, prescription and major medical insurance for all employees. The District pays monthly premiums of up to \$1,112.00 for family coverage and up to \$446.32 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The District contract with Vision Services Plan of Ohio to provide vision insurance for employees. The District also provides dental insurance to employees through Coresource. Life insurance is procured for all eligible employees with Genworth Life in the amount of \$40,000 paid by the District.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2007

**Note 13: General Long-Term Obligations**

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

	Outstanding 6/30/2006	Additions	Reductions	Outstanding 6/30/2007	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds - 1997	\$ 2,760,000	\$ 0	\$ (1,750,000)	\$ 1,010,000	\$ 135,000
School Improvement Refunding Bonds - 2007					
Serial and Term Bonds	0	1,365,000	0	1,365,000	55,000
Capital Appreciation Bonds	0	264,995	0	264,995	0
Accretion on Capital Appreciation Bonds	0	3,624	0	3,624	0
Unamortized Premium	0	152,903	(2,124)	150,779	0
Refunding Loss	0	(90,000)	1,250	(88,750)	0
Capital Leases	0	70,826	(7,889)	62,937	12,651
Compensated Absences	1,062,424	28,428	(80,422)	1,010,430	62,523
	<u>\$ 3,822,424</u>	<u>\$ 1,795,776</u>	<u>\$ (1,839,185)</u>	<u>\$ 3,779,015</u>	<u>\$ 265,174</u>
Long-Term Liabilities	<u>\$ 3,822,424</u>	<u>\$ 1,795,776</u>	<u>\$ (1,839,185)</u>	<u>\$ 3,779,015</u>	<u>\$ 265,174</u>

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

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

**General Obligation Bonds**

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

**2007 School Improvement Refunding General Obligation Bonds**

On May 8, 2007, the District issued \$1,629,995 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,200,000, \$165,000 and \$264,995, respectively. The bonds advance refunded \$1,630,000 of outstanding 1997 General Obligation Bonds. The bonds were issued for a twenty-two year period.

At the date of refunding, \$1,720,030 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$1,630,000 of the 1997 General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the 2007 financial statements.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2007

**Note 13: General Long-Term Obligations (Continued)**

The bonds were issued with a premium of \$152,903, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2007 was \$2,124. The issuance costs of \$62,898 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$874.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with an interest rate of 4.0 percent. The term bonds that mature in fiscal year 2012 with an interest rate of 3.75 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2008 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

Fiscal Year	Principal Amount to be Redeemed
2009	\$30,000
2010	30,000
2011	35,000
2012	35,000

Unless otherwise called for redemption, the remaining \$35,000 principal amount of bonds due December 1, 2012 is to be paid at stated maturity.

The capital appreciation bonds will mature December 1, 2017 and 2018. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$650,000. The fiscal year 2007 accretion amount is \$2,124.

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

	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 190,000	\$ 113,837	\$ 0	\$ 0	\$ 190,000	\$ 113,837
2009	175,000	99,962	0	0	175,000	99,962
2010	190,000	89,506	0	0	190,000	89,506
2011	210,000	78,236	0	0	210,000	78,236
2012	225,000	65,973	0	0	225,000	65,973
2013-2017	1,385,000	147,609	137,872	187,129	1,522,872	334,738
2018-2022	0	0	127,123	197,876	127,123	197,876
	\$ 2,375,000	\$ 595,123	\$ 264,995	\$ 385,005	\$ 2,639,995	\$ 980,128

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 14: Capitalized Leases**

In fiscal year 2007, the District entered into lease agreements for the acquisition of several copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for governmental funds. These expenditures are reflected as instruction-regular and support services-administration on the budgetary basis in the General Fund.

The copiers acquired by the leases have been capitalized in the governmental capital assets in the amount of \$70,826. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007:

		Copiers
Year ending June 30,	2008	\$ 17,244
	2009	17,244
	2010	17,244
	2011	17,244
	2012	5,748
		74,724
Less amount representing interest		(11,787)
Present value of minimum lease payments		\$ 62,937

**Note 15: Jointly Governed Organizations**

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting Ohio Mid-Eastern Regional Educational Service Agency, Karen Blake, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$76,837 for services provided during fiscal year 2007.



**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 15: Jointly Governed Organizations (Continued)**

***B. Belmont-Harrison Vocational School***

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2007, the District made no contributions to the Vocational School. To obtain financial information write to the Belmont-Harrison Vocational School, Alexis Petrilla, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

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

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

***D. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2007, the District paid \$300 to the Coalition.

***E. Ohio Coalition of Equity and Adequacy of School Funding***

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2007, the District paid \$749 to the Coalition.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 16: Insurance Purchasing Pools**

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP). 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.

***B. Ohio School Plan***

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

**Note 17: Set-Aside Calculations**

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

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

	Textbooks	Capital Improvements
Set-aside Reserved Balance as of June 30, 2006	\$ (19,585)	\$ 0
Current Year Set-Aside Requirement	222,848	222,848
Current Year Offsets	0	(45,847)
Qualifying Disbursements	(167,376)	(213,334)
Totals	<u>\$ 35,887</u>	<u>\$ (36,333)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ 35,887</u>	<u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$ 35,887</u>	<u>\$ 0</u>

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 17: Set-Aside Calculations (Continued)**

The District did not have qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero, and is required to establish a fund balance reserve. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

**Note 18: Interfund Balances and Transfers**

**A. Interfund Balances**

As of June 30, 2007, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	Interfund Receivable	Interfund Payable
<b>Fund:</b>		
General	\$ 29,160	\$ 0
Food Service	0	29,160
Totals	\$ 29,160	\$ 29,160

**B. Interfund Transfers**

During fiscal year 2007, the General Fund transferred \$36,155 to the Food Service Fund to provide additional resources for current operations. The Internal Service Fund also transferred \$86,466 to the General Fund to close out the Internal Service Fund since the District is no longer self-insured.

**Note 19: Contingencies**

**A. Grants**

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

**B. Litigation**

The District is currently party to legal proceedings the outcome of which cannot be determined at this time. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial statements.

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**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550		\$20,552		\$20,552
Nutrition Cluster:						
School Breakfast Program	046011-05PU-2006	10.553	\$17,154		\$17,154	
	046011-05PU-2007		78,235		78,235	
Total School Breakfast Program			95,389	0	95,389	0
National School Lunch Program	046011-LLP4-2006	10.555	23,834		23,834	
	046011-LLP4-2007		129,178		129,178	
Total National School Lunch Program			153,012	0	153,012	0
Total Nutrition Cluster			248,401		248,401	
Total U.S. Department of Agriculture			248,401	20,552	248,401	20,552
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	046011-C1S1-2007	84.010	268,366		261,753	
	046011-C1SD-2006		8,152		12,437	
	046011-C1SD-2007		33,483		33,483	
Total Title I Grants to Local Educational Agencies			310,001	0	307,673	0
Special Education-Grants to States	046011-6BSF-2005	84.027			4,565	
	046011-6BSF-2006		42,658		66,438	
	046011-6BSF-2007		345,753		313,183	
Total Special Education-Grants to States			388,411	0	384,186	0
Safe and Drug-Free Schools and Communities-State Grants	046011-DRS1-2007	84.186	6,807		6,807	
	046011-DRS1-2005				758	
Total Safe and Drug-Free Schools and Communities-State Grants	046011-DRS1-2006				65	
			6,807	0	7,630	0
State Grants for Innovative Programs	046011-C2S1-2007	84.298	593		577	
	046011-C2S1-2006				1,197	
	046011-C2S1-2005				340	
Total State Grants for Innovative Programs			593	0	2,114	0
Education Technology State Grants	046011-TJS-2006	84.318	4,644		5,686	
	046011-TJS1-2007		2,792		2,051	
Total Education Technology State Grants			7,436	0	7,737	0
Improving Teacher Quality State Grants	046011-TRS1-2007	84.367	94,777		94,754	
	046011-TRS1-2006				5,278	
Total Improving Teacher Quality State Grants			94,777	0	100,032	0
Total U.S. Department of Education			808,025	0	809,372	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$1,056,426</b>	<b>\$20,552</b>	<b>\$1,057,773</b>	<b>\$20,552</b>

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

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated April 18, 2008.

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### Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 18, 2008.

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

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

**Mary Taylor, CPA**  
Auditor of State

April 18, 2008





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Union Local School District, Belmont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

April 18, 2008

UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education - Grants to States, CFDA #84.027  Nutrition Cluster: School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA#10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
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  
MAY 6, 2008**