



Dave Yost • Auditor of State

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2010, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, as of June 30, 2010, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2010, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 10, 2011

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of North Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

In total, net assets decreased \$2,919,072, or 16 percent, which is primarily due to the completion of the district-wide construction projects.

General revenues were \$14,690,974, or 85 percent of total revenues, and reflect the School District's continued dependence on property taxes, income taxes, and unrestricted State entitlements.

The School District has completed a total renovation of the existing high school and construction a new 60,000 square foot middle school. The high school renovation was dedicated in January 2009 and the new middle school was completed by the start of the 2009-2010 school year. In addition, the School District demolished the existing 1938 middle school as well as the Leesburg-Magnetic elementary school. These demolitions were completed by the end of September 2009. Currently all of the facilities that are owned and operated by the School District are under ten years old.

The School District's five-year forecast, approved by the Board of Education at each month's regular Board meeting, illustrates that estimated expenses are expected to exceed estimated revenues for fiscal years 2010 through 2015, with a projected deficit fund balance in fiscal year 2014. Currently, the School District is reviewing when would be an opportune time to ask the voters to approve an additional emergency operating levy. The approval of an additional levy will ensure that there will not be an interruption of revenue to continue to provide the children of North Union with a valuable and relevant education to compete in the current global economy. The Board will closely monitor spending to extend the amount of time before it is necessary to ask voters for new operational funds. To date, the School District has not gone to the voters for new operating funds in more than ten years. However, the State of Ohio is having very serious financial difficulties and may be looking to cut school funding by as much as 20 percent (this includes the reduction of the State Stabilization Fund). This reduction will most likely affect fiscal year 2012 and beyond. These cuts could have a very significant impact upon the financial security of the School District. The School District continues to monitor this situation very closely and will make adjustments to the forecast as necessary.

The School District provides for employee medical, drug, and dental insurance through a shared risk pool, the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. The pool consists of eight school districts and an educational service center. The pool is continually looking for ways to contain and minimize costs. The Trust continually reviews its cash position each year to determine if a rate holiday is available. Currently the insurance consortium is looking to redesign medical insurance plans to reduce overall costs to the member districts.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Using the Basic Financial Statements

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

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For North Union Local School District, the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, food service, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009. Amounts for fiscal 2009 have been restated, where applicable.

Table 1 Net Assets		Governmental Activities	
	2010	2009	Change
<u>Assets:</u>			
Assets	\$14,876,183	\$17,795,255	(\$2,919,072)
<u>Net Assets:</u>			
Restricted	4,454,437	7,129,008	(2,674,571)
Unrestricted	10,421,746	10,666,247	(244,501)
Total Net Assets	\$14,876,183	\$17,795,255	(\$2,919,072)

The decrease in total assets is primarily due to a reduction in cash and cash equivalents as construction was completed on the School District's buildings as resources were spent. This is also reflected in the decrease in restricted net assets.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009. Amounts for fiscal 2009 have been restated, where applicable.

Table 2
Changes in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$997,608	\$840,780	\$156,828
Operating Grants, Contributions, and Interest	1,613,211	1,458,899	154,312
Capital Grants and Contributions	0	15,278	(15,278)
Total Program Receipts	<u>2,610,819</u>	<u>2,314,957</u>	<u>295,862</u>
General Receipts			
Property Taxes Levied for General Purposes	3,564,895	3,575,790	(10,895)
Property Taxes Levied for Classroom Facilities Purposes	59,822	58,753	1,069
Property Taxes Levied for Debt Service	759,040	923,008	(163,968)
Property Taxes Levied for Permanent Improvements	139,020	137,673	1,347
Income Taxes Levied for General Purposes	1,587,262	1,659,818	(72,556)
Grants and Entitlements	7,804,068	10,285,949	(2,481,881)
Interest	435,721	917,095	(481,374)
Gifts and Donations	4,099	1,318	2,781
Miscellaneous	292,247	125,626	166,621
Sale of Capital Assets	44,800	300	44,500
Total General Receipts	<u>14,690,974</u>	<u>17,685,330</u>	<u>(2,994,356)</u>
Total Receipts	<u>17,301,793</u>	<u>20,000,287</u>	<u>(2,698,494)</u>
<u>Disbursements:</u>			
Instruction:			
Regular	6,440,378	6,466,337	25,959
Special	1,577,755	1,483,795	(93,960)
Vocational	869,965	716,465	(153,500)
Support Services:			
Pupils	630,046	619,674	(10,372)
Instructional Staff	972,739	914,009	(58,730)
Board of Education	39,891	49,081	9,190
Administration	1,061,168	1,096,957	35,789
Fiscal	471,066	455,845	(15,221)
Operation and Maintenance of Plant	1,887,947	1,797,191	(90,756)
Pupil Transportation	935,545	982,346	46,801
Central	13,976	40,723	26,747
Food Service	631,421	607,319	(24,102)
Extracurricular Activities	393,028	278,987	(114,041)
Capital Outlay	3,310,970	13,617,086	10,306,116

(continued)

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Disbursements</u> (continued):			
Debt Service:			
Principal Retirement	\$465,000	\$193,352	(\$271,648)
Interest and Fiscal Charges	519,970	789,290	269,320
Total Disbursements	<u>20,220,865</u>	<u>30,108,457</u>	<u>9,887,592</u>
Decrease in Net Assets	(2,919,072)	(10,108,170)	7,189,098
Net Assets at Beginning of Year	<u>17,795,255</u>	<u>27,903,425</u>	<u>(10,108,170)</u>
Net Assets at End of Year	<u>\$14,876,183</u>	<u>\$17,795,255</u>	<u>(\$2,919,072)</u>

Program receipts reflect a 13 percent increase from the prior fiscal year. Charges for services increased as the School District had more open enrollment receipts. Operating grants and contributions increased generally from additional grant resources received as a result of the American Recovery and Reinvestment Act (ARRA).

The two primary contributions to the decrease in general receipts was the decrease in grants and entitlements as the School District received less funding from the Ohio School Facilities Commission as building construction was completed and from a reduction in interest receipts as the economy has continued to struggle.

The most significant change for disbursements was the decrease in capital outlay disbursements due to completion of the building projects.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements. Amounts for fiscal 2009 have been restated, where applicable.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$6,440,378	\$6,466,337	\$5,820,493	\$5,969,275
Special	1,577,755	1,483,795	508,146	565,963
Vocational	869,965	716,465	739,060	573,316

(continued)

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Support Services:				
Pupils	\$630,046	\$619,674	\$617,013	\$612,955
Instructional Staff	972,739	914,009	972,739	914,009
Board of Education	39,891	49,081	39,891	49,081
Administration	1,061,168	1,096,957	1,061,168	1,096,957
Fiscal	471,066	455,845	471,066	455,845
Operation and Maintenance of Plant	1,887,947	1,797,191	1,887,947	1,797,191
Pupil Transportation	935,545	982,346	912,935	941,620
Central	13,976	40,723	7,117	31,723
Food Service	631,421	607,319	36,340	28,347
Extracurricular Activities	393,028	278,987	240,191	157,490
Capital Outlay	3,310,970	13,617,086	3,310,970	13,617,086
Debt Service:				
Principal Retirement	465,000	193,352	465,000	193,352
Interest and Fiscal Charges	519,970	789,290	519,970	789,290
Total Disbursements	<u>\$20,220,865</u>	<u>\$30,108,457</u>	<u>\$17,610,046</u>	<u>\$27,793,500</u>

Over 87 percent of the School District's programs were provided for through general receipts in fiscal year 2010. However, note there were a couple of programs which received substantial support through program receipts. Almost 68 percent of special instruction program costs were provided for through program receipts, primarily grant resources restricted to special instruction activities. Program receipts provided for 94 percent of the food service program costs. These resources include cafeteria sales and state and federal grants and commodities for the food service operations.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund had a 2 percent decrease in fund balance, which was not significant. The Bond Retirement Fund had a 6 percent decrease in fund balance as debt related costs were in excess of tax and tax related receipts. The substantial decrease in fund balance in the Ohio School Facilities Commission Fund was due to completion of the School District's building projects.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

General Fund Budgeting Highlights

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

For receipts, changes from the original budget to the final budget and from the final budget to actual receipts were not significant. The same can be said for disbursements.

Debt Administration

The School District's outstanding debt at June 30, 2010, consisted of general obligation bonds, in the amount of \$11,230,000. This debt will not be fully retired until fiscal year 2031. For further information regarding the School District's long-term obligations, refer to Note 11 to the basic financial statements.

Current Issues

As stated previously, the School District completed significant construction projects during the fiscal year that included a new middle school and renovations to the high school. These projects were funded through the Ohio School Facilities Commission and the Permanent Improvement Fund.

The Board of Education entered into a negotiated agreement in June 2009 that will be in effect until June 2012. Classified employees are receiving a per hour increase based on class of employee. Certified employees are receiving a base increase dependent on salary scale. To assist in maintaining positive labor relations, the Board of Education and the NUEA have continued to meet in a Labor Relations Committee to address concerns and find potential solutions. The School District is constantly monitoring current settlements around the State and developing a negotiation strategy for the next round of negotiations that will be taking place in the spring of 2012.

The last issue that is currently facing the School District, and every other school district in the State of Ohio, is the current economic stability of the State and nation. We are continually monitoring market conditions and foreclosure information. Continued recessionary conditions could mean lower tax collection, budget cuts from the State, and lower investment earnings.

Contacting the School District's Financial Management

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

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North Union Local School District
Statement of Net Assets - Cash Basis
June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,859,699
Cash and Cash Equivalents with Fiscal Agent	16,484
Total Assets	14,876,183
 <u>Net Assets:</u>	
Restricted for:	
Capital Projects	\$1,825,644
Debt Service	2,013,602
Other Purposes	615,191
Unrestricted	10,421,746
Total Net Assets	\$14,876,183

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2010

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,440,378	\$508,893	\$110,992	(\$5,820,493)
Special	1,577,755	0	1,069,609	(508,146)
Vocational	869,965	0	130,905	(739,060)
Support Services:				
Pupils	630,046	0	13,033	(617,013)
Instructional Staff	972,739	0	0	(972,739)
Board of Education	39,891	0	0	(39,891)
Administration	1,061,168	0	0	(1,061,168)
Fiscal	471,066	0	0	(471,066)
Operation and Maintenance of Plant	1,887,947	0	0	(1,887,947)
Pupil Transportation	935,545	0	22,610	(912,935)
Central	13,976	0	6,859	(7,117)
Food Service	631,421	343,787	251,294	(36,340)
Extracurricular Activities	393,028	144,928	7,909	(240,191)
Capital Outlay	3,310,970	0	0	(3,310,970)
Debt Service:				
Principal Retirement	465,000	0	0	(465,000)
Interest and Fiscal Charges	519,970	0	0	(519,970)
Total Governmental Activities	<u>\$20,220,865</u>	<u>\$997,608</u>	<u>\$1,613,211</u>	<u>(17,610,046)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,564,895
Classroom Facilities Maintenance				59,822
Debt Service				759,040
Permanent Improvements				139,020
Income Taxes Levied for General Purposes				1,587,262
Grants and Entitlements not Restricted to Specific Programs				7,804,068
Interest				435,721
Gifts and Donations				4,099
Miscellaneous				292,247
Sale of Capital Assets				44,800
Total General Receipts				<u>14,690,974</u>
Change in Net Assets				(2,919,072)
Net Assets at Beginning of Year - Restated (Note 3)				<u>17,795,255</u>
Net Assets at End of Year				<u>\$14,876,183</u>

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2010

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$10,421,746	\$1,997,118	\$580,379	\$1,860,456	\$14,859,699
Cash and Cash Equivalents with Fiscal Agent	0	16,484	0	0	16,484
Total Assets	\$10,421,746	\$2,013,602	\$580,379	\$1,860,456	\$14,876,183
<u>Fund Balances:</u>					
Reserved for Encumbrances	\$878,527	\$0	\$39,853	\$255,605	\$1,173,985
Unreserved, Reported in:					
General Fund	9,543,219	0	0	0	9,543,219
Special Revenue Funds	0	0	0	507,334	507,334
Debt Service Fund	0	2,013,602	0	0	2,013,602
Capital Projects Funds	0	0	540,526	1,097,517	1,638,043
Total Fund Balances	\$10,421,746	\$2,013,602	\$580,379	\$1,860,456	\$14,876,183

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes	\$3,564,895	\$759,040	\$0	\$198,842	\$4,522,777
Income Taxes	1,587,262	0	0	0	1,587,262
Intergovernmental	7,530,723	114,445	271,926	1,490,776	9,407,870
Interest	412,345	0	23,376	1,500	437,221
Tuition and Fees	508,893	0	0	0	508,893
Extracurricular Activities	0	0	0	144,928	144,928
Charges for Services	0	0	0	343,787	343,787
Gifts and Donations	0	0	0	12,008	12,008
Miscellaneous	29,520	0	0	262,727	292,247
Total Receipts	13,633,638	873,485	295,302	2,454,568	17,256,993
<u>Disbursements:</u>					
Current:					
Instruction:					
Regular	5,814,532	0	0	625,846	6,440,378
Special	1,284,878	0	0	292,877	1,577,755
Vocational	866,021	0	0	3,944	869,965
Support Services:					
Pupils	537,452	0	0	92,594	630,046
Instructional Staff	743,009	0	0	229,730	972,739
Board of Education	39,891	0	0	0	39,891
Administration	1,058,895	1,767	0	506	1,061,168
Fiscal	446,995	13,453	0	10,618	471,066
Operation and Maintenance of Plant	1,794,608	0	17,663	75,676	1,887,947
Pupil Transportation	935,479	0	0	66	935,545
Central	2,117	0	0	11,859	13,976
Food Service	0	0	0	631,421	631,421
Extracurricular Activities	242,479	0	0	150,549	393,028
Capital Outlay	11,783	0	2,828,601	470,586	3,310,970
Debt Service:					
Principal Retirement	0	465,000	0	0	465,000
Interest and Fiscal Charges	0	519,970	0	0	519,970
Total Disbursements	13,778,139	1,000,190	2,846,264	2,596,272	20,220,865
Excess of Receipts Under Disbursements	(144,501)	(126,705)	(2,550,962)	(141,704)	(2,963,872)
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	0	0	0	44,800	44,800
Transfers In	0	0	0	100,000	100,000
Transfers Out	(100,000)	0	0	0	(100,000)
Total Other Financing Sources (Uses)	(100,000)	0	0	144,800	44,800
Changes in Fund Balances	(244,501)	(126,705)	(2,550,962)	3,096	(2,919,072)
Fund Balances at Beginning of Year - Restated (Note 3)	10,666,247	2,140,307	3,131,341	1,857,360	17,795,255
Fund Balances at End of Year	\$10,421,746	\$2,013,602	\$580,379	\$1,860,456	\$14,876,183

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,819,836	\$3,646,274	\$3,564,895	(\$81,379)
Income Taxes	1,481,091	1,560,691	1,587,262	26,571
Intergovernmental	7,068,326	7,501,826	7,530,723	28,897
Interest	613,795	440,073	462,558	22,485
Tuition and Fees	311,650	507,330	508,893	1,563
Miscellaneous	28,764	29,126	29,520	394
Total Receipts	13,323,462	13,685,320	13,683,851	(1,469)
<u>Disbursements:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	6,234,358	6,459,434	6,002,443	456,991
Special	1,355,555	1,329,005	1,329,005	0
Vocational	802,895	885,737	885,737	0
<u>Support Services:</u>				
Pupils	637,820	576,292	576,292	0
Instructional Staff	849,166	765,319	763,499	1,820
Board of Education	70,634	46,020	46,020	0
Administration	1,280,054	1,090,463	1,090,463	0
Fiscal	529,993	520,546	546,120	(25,574)
Operation and Maintenance of Plant	2,508,038	2,183,369	2,183,369	0
Pupil Transportation	1,177,377	975,901	975,901	0
Central	2,573	2,117	2,117	0
Extracurricular Activities	232,926	243,917	243,917	0
Capital Outlay	35,727	11,783	11,783	0
Total Disbursements	15,717,116	15,089,903	14,656,666	433,237
Excess of Receipts Under Disbursements	(2,393,654)	(1,404,583)	(972,815)	431,768
<u>Other Financing (Uses):</u>				
Advances Out	(15,000)	0	0	0
Transfers Out	(100,000)	(100,000)	(100,000)	0
Total Other Financing (Uses)	(115,000)	(100,000)	(100,000)	0
Changes in Fund Balance	(2,508,654)	(1,504,583)	(1,072,815)	431,768
Fund Balance at Beginning of Year	9,351,716	9,351,716	9,351,716	0
Prior Year Encumbrances Appropriated	1,256,191	1,256,191	1,256,191	0
Fund Balance at End of Year	\$8,099,253	\$9,103,324	\$9,535,092	\$431,768

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$200,331	\$69,532
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$124,404	\$0
Held for Student Activities	0	69,532
Endowments	75,927	0
Total Net Assets	\$200,331	\$69,532

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

<u>Additions:</u>	
Interest	\$659
Contributions	119,613
Total Additions	<u>120,272</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>9,327</u>
Change in Net Assets	110,945
Net Assets at Beginning of Year	<u>89,386</u>
Net Assets at End of Year	<u><u>\$200,331</u></u>

See Accompanying Notes to Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 361st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-one classified employees, one hundred twelve certified teaching personnel, and eleven administrative employees who provide services to 1,520 students and other community members. The School District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Metropolitan Education Council, Tri-Rivers Joint Vocational School, Ohio School Plan, Southwestern Ohio Educational Purchasing Cooperative Workers’ Compensation Group Rating Plan, and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 15 and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

During fiscal year 2010, the School District invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

The Board of Education has allocated interest earnings according to state statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$412,345, which includes \$107,568 assigned from other School District funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

F. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

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

H. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

K. Interfund Activity

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Change in Basis of Accounting

For fiscal year 2010, the School District ceased to prepare its financial statements in accordance with generally accepted accounting principles and reported on the cash basis of accounting as described in Note 2C of the basic financial statements.

B. Restatement of Fund Balance

The implementation of the change in the basis of accounting has the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The effect on net assets of governmental activities is also presented.

	<u>General</u>	<u>Bond Retirement</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balances at June 30, 2009	\$10,210,745	\$2,227,904	\$1,731,526	\$1,804,219	\$15,975,394
Eliminate Asset Accruals	(4,165,938)	(843,283)	(276,505)	(284,532)	(5,570,258)
Eliminate Liability Accruals	4,621,440	755,686	1,676,320	337,673	7,391,119)
Adjusted Fund Balance July 1, 2009	<u>\$10,666,247</u>	<u>\$2,140,307</u>	<u>\$3,131,341</u>	<u>\$1,857,360</u>	<u>\$17,795,255</u>

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE/NET ASSETS (continued)

	Governmental Activities
Governmental Activities Net Assets June 30, 2009	\$39,289,700
Eliminate Government-Wide Financial Statement Adjustments:	
Accounts Receivable	(124,409)
Accrued Interest Receivable	(51,069)
Intergovernmental Receivable	(330,359)
Income Taxes Receivable	(629,915)
Prepaid Items	(5,116)
Property Taxes Receivable	(4,429,390)
Capital Assets	(35,081,220)
Accounts Payable	93,748
Contracts Payable	1,112,946
Accrued Wages and Benefits Payable	1,062,991
Matured Compensated Absences Payable	66,368
Intergovernmental Payable	371,422
Retainage Payable	279,697
Matured Bonds and Interest Payable	16,484
Separation Benefits Payable	5,000
Accrued Interest Payable	42,504
Deferred Revenue	3,824,160
Long-Term Liabilities:	
Due Within One Year	495,834
Due Within More than One Year	11,785,879
Adjusted Governmental Activities Net Assets July 1, 2009	\$17,795,255

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Investments

As of June 30, 2010, the School District had the following investments.

	Carrying Value	Maturity
Federal Home Loan Bank Bonds	\$100,000	8/27/12
Federal Home Loan Bank Bonds	500,000	9/07/12
Federal Home Loan Mortgage Corporation Notes	70,000	7/15/14
Federal Home Loan Mortgage Corporation Notes	250,000	2/26/15
Federal Home Loan Mortgage Corporation Notes	280,000	4/15/15
Federal National Mortgage Association Notes	500,000	4/15/13
Star Ohio	763,011	56 days average
	<u>\$2,463,011</u>	

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

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

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

	Carrying Value	Percentage of Portfolio
Federal Home Loan Bank	\$600,000	24.36%
Federal Home Loan Mortgage Corporation	600,000	24.36
Federal National Mortgage Association	500,000	20.30

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - PROPERTY TAXES (continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$136,327,930	91.02%	\$134,715,350	90.87%
Industrial/Commercial	5,906,460	3.94	5,906,170	3.98
Public Utility	7,539,080	5.04	7,628,460	5.15
Total Assessed Value	\$149,773,470	100.00%	\$148,249,980	100.00%
Tax rate per \$1,000 of assessed valuation	\$39.55		\$37.70	

NOTE 6 - INCOME TAXES

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

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$2,000,000
Total per Year	4,000,000
Automobile Liability	2,000,000
Buildings and Contents - replacement cost	45,618,898

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

For fiscal year 2010, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the Plan.

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations 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 School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$812,925, \$830,670, and \$785,102, respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$4,853 made by the School District and \$29,619 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$249,001, \$172,968, and \$163,345, respectively; 17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$62,906, \$64,169, and \$61,215, respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$39,421.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$8,962, \$79,158, and \$74,539, respectively; 17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, was \$14,808, \$14,271, and \$11,769, respectively; 17 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - OTHER EMPLOYEE BENEFITS (continued)

B. Employee Insurance Benefits

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

C. Separation Benefits

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

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

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2003 General Obligation Bonds					
Serial Bonds 3-4.75%	\$6,220,000	\$0	\$465,000	\$5,755,000	\$490,000
Term Bonds 4.75-5.0%	5,475,000	0	0	5,475,000	0
Total General Obligation Bonds	\$11,695,000	\$0	\$465,000	\$11,230,000	\$490,000

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS (continued)

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

<u>Year</u>	<u>Amount</u>
2023	\$575,000
2024	605,000
2025	635,000
2026	665,000

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

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

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

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

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

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

The capital appreciation bonds were fully retired during fiscal year 2009.

The School District's overall debt margin was \$3,439,539 with an unvoted debt margin of \$140,622 at June 30, 2010.

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Total
	Serial	Term	Interest	
2011	\$490,000	\$0	\$503,600	\$993,600
2012	350,000	0	488,515	838,515
2013	360,000	0	475,378	835,378
2014	375,000	0	461,128	836,128
2015	390,000	0	445,730	835,730
2016-2020	2,210,000	0	1,959,075	4,169,075
2021-2025	1,580,000	1,180,000	1,388,311	4,148,311
2026-2030	0	3,490,000	646,119	4,136,119
2031	0	805,000	20,125	825,125
	<u>\$5,755,000</u>	<u>\$5,475,000</u>	<u>\$6,387,981</u>	<u>\$17,617,981</u>

NOTE 12 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	(\$2,828,870)	\$0
Current Year Set Aside Requirement	248,054	248,054
Qualifying Expenditures	(836,899)	0
Current Year Offsets	0	(248,054)
Set Aside Reserve Balance June 30, 2010	<u>(\$3,417,715)</u>	<u>\$0</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

NOTE 13 - INTERFUND TRANSFERS

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$100,000, to subsidize activities in other funds.

NOTE 14- DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$75,927, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$124,404 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Education Council

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

The School District also participates in the Metropolitan Education Council (MEC) computer consortium. This is an association of public school districts within the boundaries of Franklin, Union, Madison, Pickaway, and Fairfield Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of the MEC computer consortium consists of the superintendent, his designee, or a member of the board of education of each participating school district, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. During fiscal year 2010, the School District paid \$46,864 to the MEC for various services. Financial information for both the purchasing cooperative and computer consortium can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

B. Tri-Rivers Joint Vocational School

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

NOTE 16 - INSURANCE POOLS

A. Ohio School Plan

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

B. Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the Plan. The Benefits Administrator of the Plan coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

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

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

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

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District Board of Education is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 30,319	\$ 30,319
Cash Assistance			
School Breakfast Program	10.553	33,598	33,598
National School Lunch Program	10.555	<u>209,920</u>	<u>209,920</u>
Total United States Department of Agriculture		<u>273,837</u>	<u>273,837</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	206,613	204,879
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>44,553</u>	<u>43,406</u>
Total Title I Grants to Local Educational Agencies Cluster		251,166	248,285
Special Education Cluster:			
Special Education Grants to States	84.027	238,452	249,037
ARRA - Special Education Grants to States	84.391	95,655	91,598
Special Education Preschool Grants	84.173	4,398	4,398
ARRA - Special Education Preschool Grants	84.392	<u>4,878</u>	<u>4,878</u>
Total Special Education Cluster		<u>343,383</u>	<u>349,911</u>
Safe and Drug Free School and Communities State Grants	84.186	8,033	8,423
Education Technology State Grants	84.318	2,083	2,083
Improving Teacher Quality State Grants	84.367	67,108	68,044
ARRA - State Fiscal Stabilization Fund Education State Grants	84.394	<u>459,857</u>	<u>459,857</u>
Total United States Department of Education		<u>1,131,630</u>	<u>1,136,603</u>
Total Federal Awards		<u>\$ 1,405,467</u>	<u>\$ 1,410,440</u>

The accompanying notes are an integral part of this schedule.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 10, 2011.

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

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



Dave Yost
Auditor of State

January 10, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the North Union Local School District, Union County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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.

As described in finding 2010-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability applicable to its State Fiscal Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the North Union Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

www.auditor.state.oh.us

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-002 a material weakness.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 10, 2011.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

January 10, 2011

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.027, 84.173, 84.391, 84.392 – Special Education Grants to State Cluster CFDA #84.394 – State Fiscal Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

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

FINDING NUMBER 2010-001

Noncompliance

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District prepare its financial statements in accordance with GAAP.

Official’s Response:

North Union has elected to not do GAAP statements in an effort to reduce audit costs. In the almost 14 years since I have been at North Union the GAAP statements have never been used in any capacity. We feel that it is appropriate to reduce costs in any and all areas to use funds to focus on our primary task as a school district - educating children.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

State Fiscal Stabilization Fund – Period of Availability

Finding Number	2010-002
CFDA Title and Number	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) --CFDA #84.394
Federal Award Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Questioned Cost/Material Weakness

2 CFR 215.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency and according to Common Rule A-102, the entity shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Funds under ARRA and under the regular FY 2010 appropriation for this program became available for obligation on July 1, 2009. The ARRA funds will remain available for obligation by SEAs and LEAs until September 30, 2011, which includes the one-year carryover period authorized under section 421(b) of the General Education Provisions Act (Section 1603 of ARRA and 20 USC 1225(b)).

The District expended State Financial Stabilization Fund (SFSF) monies on \$35,331 of teacher salaries related to fiscal year 2009 employment contracts which were obligated prior to July 1, 2009, the beginning of the grant period.

Total questioned costs for expenditures obligated outside the period of availability are \$35,331 of the District's \$459,857 expended from the SFSF grant for fiscal year 2010.

We recommend the District use grant funds only for expenditures obligated during the period of availability and ensure procedures are put into place to ensure costs charged to grant awards are obligations incurred within the grant funding period.

Official's Response/Corrective Action Plan:

FY 2010 SFSF funds were used to pay teacher salaries during the months of July and August 2009. I had assumed these funds could be used for this purpose since it was a part of the State Foundation payment program.

Anticipated Completion Date: July 1, 2010
Responsible Contact Person: Scott Maruniak, Treasurer

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding for Recovery-issued against the Former High School Secretary for public money collected but not deposited	Yes	N/A
2009-002	Ohio Revised Code §9.38 – Deposits of Public Money	Yes	N/A
2009-003	Significant Deficiency/Material Noncompliance – Collection of Student Activity Receipts	No	Not Corrected. Reissued in Management Letter



Dave Yost • Auditor of State

NORTH UNION LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 8, 2011**