



Dave Yost • Auditor of State



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2012, 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 the Union Local School District, Belmont County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As discussed in Note 18, the District is experiencing financial difficulties. Management's plan in regards to these financial difficulties is described in Note 18 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2013, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Federal Awards Receipts and Expenditure Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

March 6, 2013

**Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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The discussion and analysis of the Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2012 are as follows:

- General cash receipts accounted for \$11,757,940 in receipts or 78 percent of all receipts. Program specific receipts in the form of charges for services and sales, and grants, contributions, and interest accounted for \$3,328,765 or 22 percent of total receipts of \$15,086,705.
- Total program disbursements were \$14,912,854.
- In total, net assets increased by \$173,851.

***Using this Annual Financial Report***

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

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

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

*Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis*

While this document contains the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question.

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

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, all of the District's programs and services are reported as governmental activities, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non-instructional services, i.e., food service operations.

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

*Fund Financial Statements*

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

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

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

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets – Cash Basis and Changes in Fiduciary Net Assets on pages 16 and 17. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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***The School District as a Whole***

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

Table 1 provides a summary of the District's net assets for 2012 compared to 2011:

**(Table 1)**  
**Net Assets-Cash Receipts**  
**Governmental Activities**

	<u>2012</u>	<u>2011</u>	<u>Change</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,081,584	\$ 907,733	\$ 173,851
<b>Net Assets</b>			
Restricted	\$ 1,337,541	\$ 1,212,682	\$ 124,859
Unrestricted (Deficit)	(255,957)	(304,949)	48,992
Total Net Assets	\$ 1,081,584	\$ 907,733	\$ 173,851

The above table reflects an increase in net assets of \$173,851 primarily due to an increase in cash and cash equivalents resulting from the District's spending not exceeding resources.

Table 2 shows the changes in net assets for fiscal year ended June 30, 2012, and comparisons to June 30, 2011:

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)

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

	2012	2011	Change
<b>Receipts</b>			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 1,646,359	\$ 1,410,537	\$ 235,822
Operating Grants, Contributions and Interest	1,676,694	2,830,285	(1,153,591)
Capital Grants, Contributions and Interest	5,712	12,986	(7,274)
<b>Total Program Cash Receipts</b>	<b>3,328,765</b>	<b>4,253,808</b>	<b>(925,043)</b>
<i>General Receipts</i>			
Property Taxes	2,942,592	2,802,032	140,560
Grants and Entitlements	8,274,204	8,103,062	171,142
Other	541,144	92,871	448,273
<b>Total General Receipts</b>	<b>11,757,940</b>	<b>10,997,965</b>	<b>759,975</b>
<b>Total Receipts</b>	<b>15,086,705</b>	<b>15,251,773</b>	<b>(165,068)</b>
<b>Program Disbursements</b>			
Instruction	8,722,989	9,362,064	(639,075)
<i>Support Services:</i>			
Pupils and Instructional Staff	1,220,073	1,299,219	(79,146)
Board of Education, Administration and Fiscal	1,300,197	1,426,394	(126,197)
Operation and Maintenance of Plant	1,179,579	1,267,948	(88,369)
Pupil Transportation	958,198	776,719	181,479
Central	15,774	16,847	(1,073)
<i>Operation of Non-instructional Services</i>			
Food Service Operations	420,652	474,483	(53,831)
Community Recreation Services	1,152	7,578	(6,426)
Extracurricular Activities	280,313	363,922	(83,609)
Site Improvements	385,022	67,528	317,494
Principal Retirement	333,868	261,000	72,868
Interest and Fiscal Charges	95,037	99,866	(4,829)
<b>Total Disbursements</b>	<b>14,912,854</b>	<b>15,423,568</b>	<b>(510,714)</b>
<b>Change in Net Assets</b>	<b>173,851</b>	<b>(171,795)</b>	<b>345,646</b>
<i>Net Assets, Beginning of Year</i>	907,733	1,079,528	(171,795)
<b>Net Assets, End of Year</b>	<b>\$ 1,081,584</b>	<b>\$ 907,733</b>	<b>\$ 173,851</b>

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)

**Governmental Activities**

Several receipt sources fund the District's governmental activities with intergovernmental receipts in the form of operating and capital grants and contributions and unrestricted grants and entitlements being the largest contributor. Intergovernmental receipts generated \$9,956,610 in 2012 and \$10,946,333 in 2011. Property tax levies generated \$2,942,592 in 2012 and 2,802,032 in 2011.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparison to 2011 have been made.

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

	Total Cost of Service 2012	Net Cost of Service 2012	Total Cost of Service 2011	Net Cost of Service 2011
Instruction	\$ 8,722,989	\$ (6,491,516)	\$ 9,362,064	\$ (6,290,658)
Support Services:				
Pupil and Instructional Staff	1,220,073	(898,901)	1,299,219	(879,277)
Board of Education, Administration, Fiscal and Central	1,315,971	(1,150,263)	1,443,241	(1,290,504)
Operation and Maintenance of Plant	1,179,579	(1,135,041)	1,267,948	(1,216,136)
Pupil Transportation	958,198	(924,199)	776,719	(749,915)
Food Service Operations	420,652	17,863	474,483	(67,831)
Community Recreation Services	1,152	(1,152)	7,578	(430)
Extracurricular Activities	280,313	(188,123)	363,922	(246,615)
Site Improvements	385,022	(383,852)	67,528	(67,528)
Principal Retirement	333,868	(333,868)	261,000	(261,000)
Interest and Fiscal Charges	95,037	(95,037)	99,866	(99,866)
<b>Total Expenses</b>	<b>\$ 14,912,854</b>	<b>\$ (11,584,089)</b>	<b>\$ 15,423,568</b>	<b>\$ (11,169,760)</b>

Instruction and student support services comprise 67 percent of governmental program expenses. Other support services such as board of education, administration, fiscal and central were 9 percent of governmental program expenses. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the District. Principal Retirement and interest and fiscal charges were 3 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 14 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations and community recreation services comprises 3 percent of governmental program expenses. Extracurricular activities and site improvement services comprise 4 percent of total expenses.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)

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***The School District's Funds***

Information about the District's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues including other financing sources of \$15,752,744 and expenditures of \$15,578,893.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the District modified its General Fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue, including other financing sources, was \$723,906 higher than the original budget estimates of \$12,211,147.

Final appropriations were \$640,260 higher than the original budget estimates of \$11,990,042.

***Debt Administration***

At June 30, 2012, the District had \$1,649,996 in bonds outstanding with \$240,000 due within one year. See note 12 for additional details. Table 4 summarizes bonds outstanding.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2012	Governmental Activities 2011
1997 General Obligation Bonds	\$ 205,000	\$ 395,000
2007 School Improvement Refunding Bonds	1,180,000	1,215,000
2007 School Improvement Capital Appreciation Bonds	264,996	264,996
Total	\$ 1,649,996	\$ 1,874,996

***Current Issues***

The District is currently financially unstable. As the preceding information shows, the District relies heavily on state funding as well as its local property taxpayers. The District has not passed an operating levy since 1976 and the District no longer has a permanent improvement levy to cover purchase of buses, textbooks, and technology. Steps have been taken to stabilize the general fund through attrition of retiring employees, and overall reduction of expenditures.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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***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 District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Janet Hissrich, Treasurer/CFO at Union Local School District, 66779 Belmont-Morristown Road, Belmont, Ohio, 43718.

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**Union Local School District**  
*Statement of Net Assets - Cash Basis*  
*June 30, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,081,584
<b>Net Assets</b>	
Restricted for:	
Capital Improvements	\$408,881
Debt Service	695,728
Food Service Operations	17,790
Classroom Facilities Maintenance	101,212
Other Purposes	113,930
Unrestricted	(255,957)
<i>Total Net Assets</i>	\$1,081,584

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2012*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,663,229	\$1,246,023	\$341,394	\$0	(\$5,075,812)
Special	1,627,463	189,703	343,807	0	(1,093,953)
Vocational	412,029	0	99,281	0	(312,748)
Student Intervention	20,268	0	11,265	0	(9,003)
Support Services:					
Pupils	641,052	0	181,841	0	(459,211)
Instructional Staff	579,021	0	139,331	0	(439,690)
Board of Education	81,646	0	0	0	(81,646)
Administration	932,097	0	165,708	0	(766,389)
Fiscal	286,454	0	0	0	(286,454)
Operation and Maintenance of Plant	1,179,579	0	38,826	5,712	(1,135,041)
Pupil Transportation	958,198	0	33,999	0	(924,199)
Central	15,774	0	0	0	(15,774)
Operations of Non-Instructional Services:					
Food Service Operations	420,652	124,306	314,209	0	17,863
Community Services	1,152	0	0	0	(1,152)
Extracurricular Activities	280,313	86,327	5,863	0	(188,123)
Site Improvements	385,022	0	1,170	0	(383,852)
Debt Service:					
Principal Retirement	333,868	0	0	0	(333,868)
Interest and Fiscal Charges	95,037	0	0	0	(95,037)
<i>Totals Governmental Activities</i>	<u>\$14,912,854</u>	<u>\$1,646,359</u>	<u>\$1,676,694</u>	<u>\$5,712</u>	<u>(11,584,089)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					2,620,037
Debt Service					274,428
Capital Outlay					48,127
Grants and Entitlements not Restricted to Specific Programs					8,274,204
Earnings on Investments					4,283
Miscellaneous					536,861
<i>Total General Receipts</i>					<u>11,757,940</u>
<i>Change in Net Assets</i>					173,851
<i>Net Assets Beginning of Year</i>					<u>907,733</u>
<i>Net Assets End of Year</i>					<u>\$1,081,584</u>

See accompanying notes to the basic financial statements



**Union Local School District**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2012*

	<u>General</u>	<u>Bond Retirement</u>	<u>Special Reserve Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	(\$255,144)	\$695,728	\$326,358	\$314,642	\$1,081,584
<i>Total Assets</i>	<u>(\$255,144)</u>	<u>\$695,728</u>	<u>\$326,358</u>	<u>\$314,642</u>	<u>\$1,081,584</u>
<b>Fund Balances</b>					
Restricted	\$0	\$695,728	\$0	\$319,337	\$1,015,065
Committed	11,000	0	290,000	21,476	322,476
Assigned	140,729	0	36,358	0	177,087
Unassigned (Deficit)	(406,873)	0	0	(26,171)	(433,044)
<i>Total Fund Balances</i>	<u>(\$255,144)</u>	<u>\$695,728</u>	<u>\$326,358</u>	<u>\$314,642</u>	<u>\$1,081,584</u>

See accompanying notes to the basic financial statements

**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, 2012*

	General	Bond Retirement	Special Reserve Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$2,620,037	\$274,428	\$0	\$48,127	\$2,942,592
Intergovernmental	8,354,669	44,207	0	1,549,311	9,948,187
Earnings on Investments	4,283	0	0	396	4,679
Tuition and Fees	1,423,596	0	0	0	1,423,596
Extracurricular Activities	12,663	0	0	68,029	80,692
Contributions and Donations	4,872	0	0	3,155	8,027
Charges for Services	0	0	0	121,864	121,864
Miscellaneous	515,584	0	0	13,286	528,870
<i>Total Receipts</i>	<u>12,935,704</u>	<u>318,635</u>	<u>0</u>	<u>1,804,168</u>	<u>15,058,507</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	6,331,001	0	0	332,228	6,663,229
Special	1,308,906	0	0	318,557	1,627,463
Vocational	412,029	0	0	0	412,029
Student Intervention Services	8,727	0	0	11,541	20,268
Support Services:					
Pupil	449,728	0	0	191,324	641,052
Instructional Staff	438,336	0	0	140,685	579,021
Board of Education	81,646	0	0	0	81,646
Administration	771,442	0	0	160,655	932,097
Fiscal	277,794	7,376	0	1,284	286,454
Operation and Maintenance of Plant	1,132,619	0	0	46,960	1,179,579
Pupil Transportation	738,402	0	174,681	45,115	958,198
Central	11,834	0	0	3,940	15,774
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	420,652	420,652
Community Services	0	0	0	1,152	1,152
Extracurricular Activities	225,144	0	0	55,169	280,313
Site Improvements	0	0	0	385,022	385,022
Debt Service:					
Principal Retirement	53,000	280,868	0	0	333,868
Interest and Fiscal Charges	20,098	74,939	0	0	95,037
<i>Total Disbursements</i>	<u>12,260,706</u>	<u>363,183</u>	<u>174,681</u>	<u>2,114,284</u>	<u>14,912,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>674,998</u>	<u>(44,548)</u>	<u>(174,681)</u>	<u>(310,116)</u>	<u>145,653</u>
<b>Other Financing Sources (Uses)</b>					
Refund of Prior Year Expenditures	888	0	0	27,310	28,198
Transfers In	0	0	501,039	165,000	666,039
Transfers Out	(666,039)	0	0	0	(666,039)
<i>Total Other Financing Sources (Uses)</i>	<u>(665,151)</u>	<u>0</u>	<u>501,039</u>	<u>192,310</u>	<u>28,198</u>
<i>Net Change in Fund Balances</i>	9,847	(44,548)	326,358	(117,806)	173,851
<i>Fund Balances Beginning of Year</i>	<u>(264,991)</u>	<u>740,276</u>	<u>0</u>	<u>432,448</u>	<u>907,733</u>
<i>Fund Balances End of Year</i>	<u>(\$255,144)</u>	<u>\$695,728</u>	<u>\$326,358</u>	<u>\$314,642</u>	<u>\$1,081,584</u>

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,482,943	\$2,620,037	\$2,620,037	\$0
Intergovernmental	8,459,704	8,354,669	8,354,669	0
Earnings on Investments	5,000	3,882	4,283	401
Tuition and Fees	1,221,700	1,423,296	1,423,596	300
Extracurricular Activities	19,000	12,663	12,663	0
Contributions and Donations	8,800	4,872	4,872	0
Miscellaneous	9,000	514,746	515,584	838
<i>Total Receipts</i>	12,206,147	12,934,165	12,935,704	1,539
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	6,172,295	6,336,095	6,334,748	1,347
Special	1,149,961	1,292,989	1,312,240	(19,251)
Vocational	407,941	470,393	470,696	(303)
Student Intervention	8,488	8,727	8,727	0
Support Services:				
Pupils	444,751	448,936	449,728	(792)
Instructional Staff	438,256	438,960	438,960	0
Board of Education	84,762	75,683	85,155	(9,472)
Administration	776,403	788,860	783,710	5,150
Fiscal	269,789	272,746	278,722	(5,976)
Operation and Maintenance of Plant	1,098,834	1,129,173	1,152,899	(23,726)
Pupil Transportation	681,814	741,495	744,620	(3,125)
Central	10,000	12,114	12,114	0
Site Improvements	(127)	(127)	(19)	(108)
Debt Service	72,672	73,099	73,099	0
Extracurricular Activities	209,203	255,978	227,253	28,725
<i>Total Disbursements</i>	11,825,042	12,345,121	12,372,652	(27,531)
<i>Excess of Receipts Over (Under) Disbursements</i>	381,105	589,044	563,052	(25,992)
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	5,000	888	888	0
Transfers Out	(165,000)	(285,181)	(666,039)	(380,858)
<i>Total Other Financing Sources (Uses)</i>	(160,000)	(284,293)	(665,151)	(380,858)
<i>Net Change in Fund Balance</i>	221,105	304,751	(102,099)	(406,850)
<i>Fund Balance Beginning of Year</i>	(304,750)	(304,750)	(304,750)	0
Prior Year Encumbrances Appropriated	39,759	39,759	39,759	0
<i>Fund Balance End of Year</i>	(\$43,886)	\$39,760	(\$367,090)	(\$406,850)

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2012*

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	Private Purpose Trust Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 8,102	\$ 50,508
<b>Net Assets</b>		
Restricted for Students	\$ 8,102	\$ 50,508

See accompanying notes to the basic financial statements

**Union Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Gifts and Donations	\$ 7,000
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	10,000
<i>Change in Net Assets</i>	(3,000)
<i>Net Assets Beginning of Year</i>	11,102
<i>Net Assets End of Year</i>	\$ 8,102

See accompanying notes to the basic financial statements

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**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 1 - Description of the School District and Reporting Entity**

The Union Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership on, or as of October 1, 2012, was 1,474. The District employs 104 certificated and 58 non-certificated employees.

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

***Reporting Entity***

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

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

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

The District is involved with the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), the Belmont-Harrison Vocational School, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, which are defined as jointly governed organizations and an insurance purchasing pool. Additional information concerning these organizations is presented in Notes 14 and 15 to the basic financial statements.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash 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 and the fund financial statements for the proprietary fund, 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 District's accounting policies.

***A. Basis of Presentation***

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

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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



**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***B. Fund Accounting***

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

***Governmental:*** The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

***General Fund*** - The General Fund accounts for and reports all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

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

***Special Reserve Fund*** – The Special Reserve Capital Project Fund accounts for the purchase of buses & radios and repair of facilities (track) of the District being financed through the receipt of the gas/oil money.

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

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

***C. Basis of Accounting***

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the 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. Any such modifications made by the District are described in the appropriate section in this note.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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As a result of the use of this 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 these financial statements.

***D. Budgetary Data***

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

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

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2012, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$4,283, which includes \$4,278 assigned from other District's funds.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***F. Inventory and Prepaid Items***

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Capital Assets***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***H. Long-Term Obligations***

The District's 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 paid.

***I. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

***J. Net Assets***

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

***K. Fund Balance***

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

**Non-spendable:** The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors,

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

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

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

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

### **Note 3 - Fund Balances**

Fund balance is classified as restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Fund Balances	General Fund	Bond Retirement Fund	Special Reserve Fund	Other Governmental Funds	Totals
Restricted for:					
Food Service Operation	\$0	\$0	\$0	\$17,790	\$17,790
Local Programs (Athletics)	0	0	0	9,651	9,651
Local Grants	0	0	0	4,621	4,621
State Grants	0	0	0	54,002	54,002
Federal Grants	0	0	0	13,180	13,180
Classroom Facilities	0	0	0	101,212	101,212
Debt Service	0	695,728	0	0	695,728
Capital Improvements	0	0	0	118,881	118,881
<i>Total Restricted</i>	<u>0</u>	<u>695,728</u>	<u>0</u>	<u>319,337</u>	<u>1,015,065</u>
Committed for:					
Underground Storage Tanks	11,000	0	0	0	11,000
Local Programs	0	0	0	21,476	21,476
Capital Improvements	0	0	290,000	0	290,000
<i>Total Committed</i>	<u>11,000</u>	<u>0</u>	<u>290,000</u>	<u>21,476</u>	<u>322,476</u>
Assigned to:					
Encumbrances	111,946	0	0	0	111,946
Public School Support	28,783	0	0	0	28,783
Capital Improvements	0	0	36,358	0	36,358
<i>Total Assigned</i>	<u>140,729</u>	<u>0</u>	<u>36,358</u>	<u>0</u>	<u>177,087</u>
Unassigned:	<u>(406,873)</u>	<u>0</u>	<u>0</u>	<u>(26,171)</u>	<u>(433,044)</u>
<i>Total Fund Balances</i>	<u>(\$255,144)</u>	<u>\$695,728</u>	<u>\$326,358</u>	<u>\$314,642</u>	<u>\$1,081,584</u>

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Net Change in Fund Balance

	General
Cash Basis	\$9,847
Encumbrances	(111,946)
Budget Basis	(\$102,099)

**Note 5 - Fund Deficits**

Fund balances at June 30, 2012, included the following individual fund deficits:

	Deficit
General Fund	\$ 255,144
<i>Nonmajor Special Revenue Funds:</i>	
Early Childhood Education	2,322
Ed Jobs	1,816
School Improvement Grant	189
Title II-A	21,843

The deficit in the General Fund was created by the lack of unrestricted available resources to cover operations in the fund. The District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. In most cases, the General Fund covers other fund deficits but since the General Fund has a cash fund deficit balance; therefore, it was unable to cover other fund's deficits.

**Note 6 - Deposits and Investments**

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

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

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and any other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bank 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 District, and must be purchased with the expectation that it will be held to maturity.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,279,613 of the District's bank balance of \$1,529,613 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the District to a successful claim by the FDIC.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Belmont and Harrison Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 108,658,110	81.49%	\$ 110,693,890	77.71%
Commercial/Industrial & Public Utility Real	16,246,360	12.18%	23,203,090	16.29%
Public Utility Personal	8,442,680	6.33%	8,550,290	6.00%
<b>Total Assessed Value</b>	<b>\$ 133,347,150</b>	<b>100%</b>	<b>\$ 142,447,270</b>	<b>100%</b>
 Tax rate per \$1000 of assessed value	 <u>\$ 31.25</u>		 <u>\$ 31.25</u>	

**Note 8 - Risk Management**

**A. General Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio Casualty Insurance for liability insurance. The policy has a liability per occurrence limit ranging from \$15,000 to \$2,000,000 and a \$2,000,000 aggregate annual limit.

The District contracted with Ohio Casualty Insurance for property coverage. The property insurance policy is a replacement cost policy with a \$250 to \$2,500 deductible.

The District contracted with the Ohio Casualty Insurance for fleet insurance. The policy has a liability per occurrence of \$1,000,000 and deductibles/limits between \$250 and \$5,000.

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

**B. Workers' Compensation**

For fiscal year 2012, the District participated in the Ohio School Boards Association Group Workers' Compensation Group Rating System (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 9 - Pension Plans**

***A. School Employees Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate amount four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and the Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$188,171, \$187,564 and \$201,426, respectively; 52 percent has been contributed for fiscal year 2012, 100 percent has been contributed for fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for fiscal years ended June 30, 2012, 2011 and 2010 were \$779,464, \$843,577 and \$855,350, respectively; 84 percent has been contributed for fiscal year 2012, 100 percent has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$18,097 made by the District and \$12,927 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System/State Teachers Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages paid.

**Note 10 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The District participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 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 2012, this amount was \$35,800. During fiscal year 2012, the District paid \$23,747 in surcharge.

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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 District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,149, \$22,711 and \$97,250, respectively; 52 percent has been contributed for fiscal year 2012, 100 percent has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal year ended June 30, 2012, 2011, and 2010 were \$11,112, \$12,070 and \$11,978, respectively; 52 percent has been contributed for fiscal year 2012, 100 percent has been contributed for fiscal years 2011 and 2010.

***B. State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$59,959, \$64,891 and \$65,796, respectively; 84 percent has been contributed for fiscal year 2012, 100 percent has been contributed for fiscal years 2011 and 2010.

**Note 11 - Other Employee Benefits**

***A. Compensated Absences***

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

The District contracts with Medical Mutual of Ohio for hospitalization, prescription, dental and vision insurances for all employees by being a member of the Stark County COG. The District pays monthly medical premiums of up to \$1,441.33 for family coverage and up to \$593.33 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. Life insurance is procured for all eligible employees with Consumers Life in the amount of \$40,000 paid by the District.

**Note 12 - General Long-Term Obligations**

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds - 1997	\$ 395,000	\$ 0	\$ (190,000)	\$ 205,000	\$ 205,000
School Improvement Refunding Bonds - 2007					
Serial and Term Bonds	1,215,000	0	(35,000)	1,180,000	35,000
Capital Appreciation Bonds	264,996	0	0	264,996	0
Accretion on Capital Appreciation Bonds	108,062	31,235	0	139,297	0
Unamortized Premium	99,812	0	(12,742)	87,070	0
Refunding Loss	(58,750)	0	7,500	(51,250)	0
Capital Leases	556,043	0	(115,043)	441,000	56,000
	<u>\$ 2,580,163</u>	<u>\$ 31,235</u>	<u>\$ (345,285)</u>	<u>\$ 2,266,113</u>	<u>\$ 296,000</u>
Long-Term Liabilities	<u>\$ 2,580,163</u>	<u>\$ 31,235</u>	<u>\$ (345,285)</u>	<u>\$ 2,266,113</u>	<u>\$ 296,000</u>

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

***General Obligation Bonds***

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**2007 School Improvement Refunding General Obligation Bonds**

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

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

The bonds were issued with a premium of \$152,903, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2012 was \$12,742. The issuance costs of \$62,898 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with an interest rate of 4.0 percent. The term bonds that mature in fiscal year 2013 with an interest rate of 3.75 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2008 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2013	\$ 35,000

Unless otherwise called for redemption, the remaining \$35,000 principal amount of bonds due December 1, 2013 is to be paid at stated maturity.

The capital appreciation bonds will mature December 1, 2017 and 2018. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as interest. The maturity amount of the bonds is \$650,000. The fiscal year 2012 accretion amount is \$31,235.

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$240,000	\$52,709	\$0	\$0	\$240,000	\$52,709
2014	265,000	40,500	0	0	265,000	40,500
2015	275,000	29,700	0	0	275,000	29,700
2016	290,000	18,400	0	0	290,000	18,400
2017	315,000	6,300	0	0	315,000	6,300
2018-2022	0	0	264,996	385,005	264,996	385,005
	<u>\$1,385,000</u>	<u>\$147,609</u>	<u>\$264,996</u>	<u>\$385,005</u>	<u>\$1,649,996</u>	<u>\$532,614</u>

**Note 13 - Capitalized Leases**

During fiscal year 2009, the District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor. The total amount of the lease was \$600,000.

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012:

Year ending June 30,	2013	Capital Improvements
		\$ 71,942
	2014	72,918
	2015	72,785
	2016	72,580
	2017	72,302
	2018-2022	144,483
		<u>507,010</u>
Less amount representing interest		<u>(66,010)</u>
Present value of minimum lease payments		<u>\$ 441,000</u>

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 14 - Jointly Governed Organizations**

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting Ohio Mid-Eastern Regional Education Service Agency, Karen Blake, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$44,397 for educational management information and internet access services and \$56,650 for cooperative gas purchasing services provided during fiscal year 2012.

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

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2012, the District made no contributions to the Vocational School. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.



**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 15 - Insurance Purchasing Pool**

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

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

**Note 16 - Set-Aside Calculations**

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

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

	<u>Capital Improvements</u>
Set-aside Reserved Balance as of June 30, 2011	\$ 14,172
Current Year Set-Aside Requirement	259,711
Current Year Offsets	(596,185)
Qualifying Disbursements	<u>0</u>
Totals	<u>\$ (322,302)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	 <u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2012	 <u>\$ 0</u>

**Note 17 - Contingencies**

**A. Grants**

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

**Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

effect on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

On July 23, 2012 the lawsuit entitled Union Local School District Board of Education v Grae-Con Construction, Inc. et al., Case No. 12-CIV-337 was filed regarding issues with the Union Local Elementary School and costs incurred to correct issues from construction.

**Note 18 - Financial Difficulties**

The District's cash fund balance for the General Fund and Food Service Fund, Special Revenue Fund type have been mostly in decline since June 30, 2008. The schedule below reflects the cash fund balances and the excess of expenditures over receipts for four of the past five years:

<u>June 30</u>	<u>Cash Fund Balance</u>		<u>Amount tranferred</u>	<u>Fiscal year change</u>
	<u>General</u>	<u>Food</u>	<u>from General to</u>	<u>in General Fund</u>
	<u>Fund</u>	<u>Service</u>	<u>Food Service to cover</u>	<u>Balance minus</u>
			<u>year-end deficit</u>	<u>year-end encumbrances</u>
<b>2008</b>	\$507,849	\$135	\$74,800	(\$422,185)
<b>2009</b>	\$165,244	\$0	\$118,446	(\$342,606)
<b>2010</b>	(\$188,596)	(\$99,133)	\$0	(\$353,841)
<b>2011</b>	(\$264,991)	(\$165,364)	\$0	(\$114,472)
<b>2012</b>	(\$255,144)	\$17,790	\$165,000	\$9,847

As the table above reflects, the Food Service Fund has been operating at a loss for four of the prior five years and starting in FY10, the General Fund did not have the ability to subsidize this loss. In FY12, the Board did transfer \$165,000 to cover prior period deficits in the Food Service Fund. The General Fund, for four of the last five years, has reflected budgeted expenditures which exceeded receipts.

For FY12 there was no increase given on the base for either bargaining unit, and steps were frozen for two years, except for educational steps, and administrative salaries were frozen. The District changed health insurance carriers to decrease premiums and increased the employee's share of premium cost to 10%.

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR/ Pass-Through Grantor Program Title</b>	<b>Pass-Through Program Fiscal Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (Food Donation)	2012	10.555	\$6,955	\$6,955
Cash Assistance:				
School Breakfast Program	2012	10.553	106,008	106,008
National School Lunch Program	2012	10.555	199,501	199,501
After School Snack Program	2012	10.555	1,608	1,608
Cash Assistance Subtotal			<u>307,117</u>	<u>307,117</u>
Total Child Nutrition Cluster			<u>314,072</u>	<u>314,072</u>
Total U.S. Department of Agriculture			314,072	314,072
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	25,586	27,154
	2012		302,087	298,550
Total Title I Grants to Local Educational Agencies			<u>327,673</u>	<u>325,704</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	9,704	13,188
Total Title I, Part A Cluster			337,377	338,892
Special Education (IDEA) Cluster:				
Special Education, Grants to States (IDEA, Part B)	2011	84.027	22,374	18,740
	2012		290,904	286,956
Total Special Education, Grants to States (IDEA, Part B)			<u>313,278</u>	<u>305,696</u>
Special Education - Preschool Grants (IDEA Preschool)	2011	84.173	4,220	7,231
	2012		9,539	9,300
Total Special Education - Preschool Grants (IDEA Preschool)			<u>13,759</u>	<u>16,531</u>
ARRA - Special Education, Grants to States, (IDEA, Part B), Recovery Act	2011	84.391	2,430	14,974
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	2011	84.392	1,572	4,642
Total Special Education (IDEA) Cluster			331,039	341,843
Safe and Drug-Free Schools and Communities, State Grants	2012	84.186	176	176
Twenty-First Century Community Learning Centers	2011	84.287	20,296	24,220
	2012		200,000	195,258
Total Twenty-First Century Community Learning Centers			<u>220,296</u>	<u>219,478</u>
Education Technology State Grants	2012	84.318	346	346
Improving Teacher Quality State Grants	2012	84.367	84,031	105,875
Education Jobs Fund	2012	84.410	11,124	12,939
Total U.S. Department of Education			<u>984,389</u>	<u>1,019,549</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,298,461</u></b>	<b><u>\$1,333,621</u></b>

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

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – SPECIAL EDUCATION CLUSTER**

The Ohio Department of Education (ODE) was reviewing FY10 against FY09 and FY11 against FY10 expenditure data for maintenance of effort (MOE) compliance for the Special Education Cluster. This review was not complete as of the report date.

**NOTE E – ANNUAL ADM – PERIOD N SUBMISSION**

The District submitted their enrollment reports (annual ADM-period N) to the Ohio Department of Education for FY12 as required. The enrollment reports became corrupted after submission. The District and the Ohio Department of Education (ODE) are aware of the issue and due to the lockdown of all enrollment reports for the statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education by the Auditor of State's office, these reports were not corrected as of the report date.



# 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

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

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 Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2013, wherein we noted the District is experiencing financial difficulties and 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.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-003.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 6, 2013.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 6, 2013



# 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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Union Local School District, Belmont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in Finding 2012-004 in the accompanying Schedule of Findings, the District did not comply with requirements regarding Cash Management applicable to its Special Education Cluster and Title I, Part A Cluster major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 as item 2012-004 to be a material weakness.

The District's response to the finding we identified is described in the accompanying Schedule of Findings. 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, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 6, 2013



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified for all federal programs except for the Cash Management provision requirements applicable to Title I, Part A Cluster and Special Education Cluster which we qualified.
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA #'s 84.027, 84.173, 84.391, and 84.392  Title I, Part A Cluster, CFDA #'s 84.010 and 84.389  Nutrition Cluster, CFDA #'s 10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

<b>2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. GAAP-basis entities must file annual reports within 150 days of their fiscal year end. 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 reports, 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 Rev. Code Section 117.38

Ohio Administrative Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. In addition, the District did not file its financial statements until February 14, 2013.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis and filed in a timely manner.

**Officials' Response:** GAAP statements are not prepared as a cost savings to the School District.

**FINDING NUMBER 2012-002**

**Noncompliance Citation**

Ohio Revised Code Section 5705.10(H) requires, in part, that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

However, Ohio Rev. Code Section 3315.20 provides an allowable exception for school districts. A school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit.
- There is a reasonable likelihood that the payment will be made.
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds.

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

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

**FINDING NUMBER 2012-002 (Continued)**

**Noncompliance Citation - Ohio Revised Code Section 5705.10(H) (Continued)**

At June 30, 2012, the following funds had a negative fund balance in the following amounts and the exceptions above were not met:

Fund	Number	Amount
General	001	(\$255,144)
Early Childhood Education	439	(2,322)
Education Jobs	504	(1,816)
School Improvement Grant	536	(189)
Title II-A	590	(21,843)

We recommend the District take prudent action to refrain from deficit spending.

**Officials' Response:** In FY13, the Education Jobs Grant and School Improvement Grant received a PCR in September to cover the deficit. Also, for Early Childhood Education Grant and Title II-A Grant, the Treasurer made adjustments during FY13 to the General Fund to cover these funds (refund of prior year expenditures).

**FINDING NUMBER 2012-003**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure of money unless it has been properly appropriated.

At June 30, 2012, expenditures exceeded appropriations at the legal level of control as follows:

Fund	Appropriations	Expenditures	Variance
General	\$12,630,302	\$13,038,691	(\$408,389)

We recommend the Treasurer present appropriations to the Board for approval and subsequently file the approved appropriations with the County Auditor. We also recommend the Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Treasurer should deny requests for payment when appropriations are not available.

**Officials' Response:** The officials chose not to respond.

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2012-004
<b>CFDA Title and Number</b>	Special Education Cluster and Title I, Part A Cluster
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Ohio Department of Education Project Cash Request Instructions state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 CFR part 205, the time lapse between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Special Education Cluster Grant, one out of seven drawdowns were not spent within the period of time for which cash was requested. For the Title I, Part A Cluster Grant, six out of sixteen drawdowns were not spent within the period of time for which cash was requested.

We recommend the District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

**Officials’ Response and Corrective Action Plan:** This issue has occurred due to covering the payroll in the following month. Our corrective action plan is to have the Treasurer review the last week or the first week of each month to make an estimate and see if she needs cash for expenditures before a PCR is filled out. The Treasurer will also keep on file documentation (copy of the PCR, a print screen of the cash, and the appropriation report used to report the expenditures) to substantiate each project cash request.

Responsible contact person - Janet Hissrich, Treasurer, Anticipated completion date - June 30, 2013

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**SCHEDULE OF PRIOR FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Rev. Code Section 117.38 requires filing a financial report with the Auditor of State within 150 days and Ohio Administrative Code Section 117-2-03(B) requires the District to file the report pursuant to generally accepted accounting principles. The District did not file their financial report within 150 days and did not file the report pursuant to generally accepted accounting principles.	No	Not Corrected; Repeated as Finding 2012-001.
2011-02	Ohio Rev. Code Section 5705.10(H) requires that money paid into a fund must be used only for the purposes for which such fund has been established. The District had several funds with negative fund balances.	No	Not Corrected; Repeated as Finding 2012-002.
2011-03	Ohio Rev. Code Section 5705.41(D)(1) prohibits making any contract or ordering any expenditure of money unless prior certification signed by the fiscal officer is attached. Prior certification was not obtained for 13% of tested transactions.	N/A	

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# Dave Yost • Auditor of State

UNION LOCAL SCHOOL DISTRICT

BELMONT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 19, 2013