

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

SCOTT MARUNIAK, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the North Union Local School District, Union County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 4, 2015

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise North Union Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position, change in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") also presents additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the North Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Union Local School District's internal control over financial reporting and compliance.



North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of North Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2014 are as follows:

In total, net position increased \$864,819, or 8 percent.

General receipts were \$14,656,882, or 81 percent of total receipts, and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

Using the Basic Financial Statements

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

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

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

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

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

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

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

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

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

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Assets	\$12,302,518	\$11,437,699	\$864,819
 <u>Net Position:</u>			
Restricted	1,477,117	1,678,278	(201,161)
Unrestricted	10,825,401	9,759,421	1,065,980
Total Net Position	\$12,302,518	\$11,437,699	\$864,819

The overall change in net position was 8 percent. This increase can mostly be attributed to an increase in property tax receipts resulting from an increase in the assessed valuation of property as well as an increase in income taxes as the economy continues to improve.

Table 2 reflects the changes in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$1,654,351	\$1,455,048	\$199,303
Operating Grants, Contributions, and Interest	1,749,381	1,708,790	40,591
Total Program Receipts	3,403,732	3,163,838	239,894
General Receipts			
Property Taxes Levied for General Purposes	4,287,350	3,872,507	414,843
Property Taxes Levied for Classroom Facilities Maintenance	61,807	60,481	1,326
Property Taxes Levied for Debt Service	781,989	722,830	59,159
Property Taxes Levied for Permanent Improvements	175,173	154,286	20,887
Income Taxes Levied for General Purposes	1,871,853	1,668,098	203,755
Grants and Entitlements	7,220,027	7,240,930	(20,903)
Interest	44,752	92,006	(47,254)
Gifts and Donations	200	28,825	(28,625)

(continued)

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Receipts:</u> (continued)			
General Receipts (continued)			
Miscellaneous	\$210,931	\$103,415	\$107,516
Sale of Capital Assets	2,800	1,500	1,300
Total General Receipts	<u>14,656,882</u>	<u>13,944,878</u>	<u>712,004</u>
Total Receipts	<u>18,060,614</u>	<u>17,108,716</u>	<u>951,898</u>
<u>Disbursements:</u>			
Instruction:			
Regular	6,191,474	6,660,857	469,383
Special	1,853,259	1,810,060	(43,199)
Vocational	743,188	877,164	133,976
Support Services:			
Pupils	1,051,189	768,883	(282,306)
Instructional Staff	652,750	913,796	261,046
Board of Education	25,330	31,470	6,140
Administration	1,198,723	1,031,841	(166,882)
Fiscal	542,401	545,250	2,849
Operation and Maintenance of Plant	1,828,525	1,983,088	154,563
Pupil Transportation	924,613	941,057	16,444
Central	7,545	8,066	521
Food Service	637,232	654,601	17,369
Extracurricular Activities	452,913	436,648	(16,265)
Capital Outlay	252,828	521,666	268,838
Debt Service:			
Principal Retirement	615,000	475,000	(140,000)
Interest and Fiscal Charges	218,825	236,525	17,700
Total Disbursements	<u>17,195,795</u>	<u>17,895,972</u>	<u>700,177</u>
Increase (Decrease) in Net Position	864,819	(787,256)	1,652,075
Net Position at Beginning of Year	<u>11,437,699</u>	<u>12,224,955</u>	<u>(787,256)</u>
Net Position at End of Year	<u>\$12,302,518</u>	<u>\$11,437,699</u>	<u>\$864,819</u>

Program receipts increased 8 percent from the prior fiscal year primarily due to an increase in open enrollment reflected as charges for services. There was also an increase in operating grants and contributions as a result of a change in the funding formula for State foundation resources. General revenues increased 5 percent. A \$36 million in the assessed valuation of property due to a reappraisal contributed to an increase in property tax receipts. Continued economic improvement led to an increase in income tax receipts.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Disbursements decreased approximately 4 percent from the prior fiscal year with large decreases in regular and vocational instruction along with instructional staff resulting from a decrease in staff. The increase in administration is due to the School District hiring a second high school principal in fiscal year 2014 and the increase in operation and maintenance of plant is the result of paying a three year HVAC maintenance contract.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$6,191,474	\$6,660,857	\$4,964,028	\$5,552,603
Special	1,853,259	1,810,060	747,576	820,736
Vocational	743,188	877,164	590,783	745,277
Support Services:				
Pupils	1,051,189	768,883	1,046,929	768,883
Instructional Staff	652,750	913,796	652,750	913,796
Board of Education	25,330	31,470	25,330	31,470
Administration	1,198,723	1,031,841	1,198,723	1,031,841
Fiscal	542,401	545,250	460,573	526,138
Operation and Maintenance of Plant	1,828,525	1,983,088	1,828,525	1,983,088
Pupil Transportation	924,613	941,057	924,613	907,701
Central	7,545	8,066	2,145	2,666
Food Service	637,232	654,601	(11,400)	(49,417)
Extracurricular Activities	452,913	436,648	274,835	264,161
Capital Outlay	252,828	521,666	252,828	521,666
Debt Service:				
Principal Retirement	615,000	475,000	615,000	475,000
Interest and Fiscal Charges	218,825	236,525	218,825	236,525
Total Disbursements	<u>\$17,195,795</u>	<u>\$17,895,972</u>	<u>\$13,792,063</u>	<u>\$14,732,134</u>

Over 80 percent of the School District's programs were provided for through general receipts in fiscal year 2014. However, note there were a couple of programs which received substantial support through program receipts. Almost 60 percent of special instruction program costs were provided for through program receipts, generally grants restricted to special instruction programs. Program receipts provided for all of the food service program costs. These resources include cafeteria sales and state and federal grants and commodities for the food service operations. Over 39 percent of program fees cover the costs associated with the extracurricular activities program. Sources of revenue for these programs include music and athletic fees, ticket sales, and gate receipts.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund had an 11 percent increase in fund balance from the prior fiscal year. There was an 8 percent increase in receipts; property taxes due to the increase in assessed valuation of property, income taxes due to economic improvements, intergovernmental receipts due to the change in the State foundation funding formula, and charges for services due to an increase in open enrollment. There was a 4 percent decrease in disbursements due, in part, to staffing changes.

The Bond Retirement Fund had an 11 percent increase in fund balance due to property tax receipts exceeding debt payment requirements.

General Fund Budgeting Highlights

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

For receipts, the most significant changes from the original budget to the final budget were related to intergovernmental receipts (primarily State foundation resources) and tuition and fees (generally open enrollment related). Changes from the final budget to actual receipts were not significant. For disbursements, there was a 6 percent decrease from the original budget to the final budget were due to the School District budgeting conservatively. Changes from the final budget to actual disbursements were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$39,758,133 in capital assets for governmental activities. The School District is reflecting capital assets at cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the School District's capital assets, refer to Note 7 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2014, consisted of general obligation bonds, in the amount of \$8,143,927. For further information regarding the School District's long-term obligations, refer to Note 13 to the basic financial statements.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Current Issues

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

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

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

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

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

Contacting the School District's Financial Management

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

North Union Local School District
Statement of Net Position - Cash Basis
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$12,286,034
Cash and Cash Equivalents with Fiscal Agent	16,484
Total Assets	12,302,518
 <u>Net Position:</u>	
Restricted for:	
Capital Projects	\$400,129
Debt Service	471,142
School Facilities Maintenance	366,952
Other Purposes	238,894
Unrestricted	10,825,401
Total Net Position	\$12,302,518

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,191,474	\$1,083,483	\$143,963	(\$4,964,028)
Special	1,853,259	0	1,105,683	(747,576)
Vocational	743,188	0	152,405	(590,783)
Support Services:				
Pupils	1,051,189	0	4,260	(1,046,929)
Instructional Staff	652,750	0	0	(652,750)
Board of Education	25,330	0	0	(25,330)
Administration	1,198,723	0	0	(1,198,723)
Fiscal	542,401	81,828	0	(460,573)
Operation and Maintenance of Plant	1,828,525	0	0	(1,828,525)
Pupil Transportation	924,613	0	0	(924,613)
Central	7,545	0	5,400	(2,145)
Food Service	637,232	331,863	316,769	11,400
Extracurricular Activities	452,913	157,177	20,901	(274,835)
Capital Outlay	252,828	0	0	(252,828)
Debt Service:				
Principal Retirement	615,000	0	0	(615,000)
Interest and Fiscal Charges	218,825	0	0	(218,825)
 Total Governmental Activities	 \$17,195,795	 \$1,654,351	 \$1,749,381	 (13,792,063)
 <u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				4,287,350
Classroom Facilities Maintenance				61,807
Debt Service				781,989
Permanent Improvements				175,173
Income Taxes Levied for General Purposes				1,871,853
Grants and Entitlements not Restricted to Specific Programs				7,220,027
Interest				44,752
Gifts and Donations				200
Miscellaneous				210,931
Sale of Capital Assets				2,800
 Total General Receipts				 14,656,882
 Change in Net Position				 864,819
 Net Position at Beginning of Year				 11,437,699
 Net Position at End of Year				 \$12,302,518

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,825,401	\$454,658	\$1,005,975	\$12,286,034
Cash and Cash Equivalents with Fiscal Agent	0	16,484	0	16,484
Total Assets	\$10,825,401	\$471,142	\$1,005,975	\$12,302,518
<u>Fund Balances:</u>				
Restricted	\$0	\$471,142	\$1,005,975	\$1,477,117
Assigned	3,614,060	0	0	3,614,060
Unassigned	7,211,341	0	0	7,211,341
Total Fund Balances	\$10,825,401	\$471,142	\$1,005,975	\$12,302,518

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$4,287,350	\$781,989	\$236,980	\$5,306,319
Income Taxes	1,871,853	0	0	1,871,853
Intergovernmental	7,798,303	115,655	1,034,080	8,948,038
Interest	44,752	0	325	45,077
Tuition and Fees	1,083,483	0	0	1,083,483
Extracurricular Activities	0	0	157,177	157,177
Charges for Services	81,828	0	331,863	413,691
Gifts and Donations	200	0	20,901	21,101
Miscellaneous	210,519	0	556	211,075
Total Receipts	15,378,288	897,644	1,781,882	18,057,814
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,090,707	0	100,767	6,191,474
Special	1,581,921	0	271,338	1,853,259
Vocational	743,188	0	0	743,188
Support Services:				
Pupils	868,223	0	182,966	1,051,189
Instructional Staff	561,199	0	91,551	652,750
Board of Education	25,330	0	0	25,330
Administration	1,196,652	1,593	478	1,198,723
Fiscal	523,784	14,305	4,312	542,401
Operation and Maintenance of Plant	1,609,490	0	219,035	1,828,525
Pupil Transportation	842,647	0	81,966	924,613
Central	7,545	0	0	7,545
Food Service	0	0	637,232	637,232
Extracurricular Activities	261,622	0	191,291	452,913
Capital Outlay	0	0	252,828	252,828
Debt Service:				
Principal Retirement	0	615,000	0	615,000
Interest and Fiscal Charges	0	218,825	0	218,825
Total Disbursements	14,312,308	849,723	2,033,764	17,195,795
Excess of Receipts Over (Under) Disbursements	1,065,980	47,921	(251,882)	862,019
<u>Other Financing Sources</u>				
Sale of Assets	0	0	2,800	2,800
Changes in Fund Balances	1,065,980	47,921	(249,082)	864,819
Fund Balances at Beginning of Year	9,759,421	423,221	1,255,057	11,437,699
Fund Balances at End of Year	\$10,825,401	\$471,142	\$1,005,975	\$12,302,518

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,852,728	\$4,287,350	\$4,287,350	\$0
Income Taxes	1,634,047	1,843,818	1,871,853	28,035
Intergovernmental	7,537,394	7,798,303	7,798,303	0
Interest	89,246	40,410	44,214	3,804
Tuition and Fees	887,948	1,051,681	1,083,483	31,802
Charges for Services	0	0	81,828	81,828
Miscellaneous	14,388	31,404	31,404	0
Total Receipts	14,015,751	15,052,966	15,198,435	145,469
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,844,761	6,460,896	6,471,738	(10,842)
Special	1,680,997	1,710,454	1,706,036	4,418
Vocational	1,029,131	805,686	802,636	3,050
Support Services:				
Pupils	790,504	883,142	881,208	1,934
Instructional Staff	781,665	614,864	608,659	6,205
Board of Education	49,094	45,632	45,632	0
Administration	1,200,100	1,260,362	1,258,984	1,378
Fiscal	581,369	481,140	592,550	(111,410)
Operation and Maintenance of Plant	2,601,866	2,246,191	2,021,128	225,063
Pupil Transportation	950,957	901,829	911,714	(9,885)
Central	2,719	7,545	7,545	0
Extracurricular Activities	276,351	266,482	266,482	0
Capital Outlay	3,874	0	0	0
Total Disbursements	16,793,388	15,684,223	15,574,312	109,911
Excess of Receipts Under Disbursements	(2,777,637)	(631,257)	(375,877)	255,380
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	5,511	50,367	50,367	0
Changes in Fund Balance	(2,772,126)	(580,890)	(325,510)	255,380
Fund Balance at Beginning of Year	8,954,260	8,954,260	8,954,260	0
Prior Year Encumbrances Appropriated	718,031	718,031	718,031	0
Fund Balance at End of Year	\$6,900,165	\$9,091,401	\$9,346,781	\$255,380

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$203,081	\$105,377
 <u>Net Position:</u>		
Held in Trust for Scholarships	\$127,154	\$0
Held for Student Activities	0	105,377
Endowment	75,927	0
Total Net Position	\$203,081	\$105,377

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

Additions:

Interest	\$1,594
Gifts and Donations	14,784
Total Additions	<u>16,378</u>

Deductions:

Non-Instructional Services	<u>12,683</u>
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Change in Net Position 3,695

Net Position at Beginning of Year 199,386

Net Position at End of Year \$203,081

See Accompanying Notes to Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 340th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventy-two classified employees, one hundred five certified teaching personnel, and fourteen administrative employees who provide services to 1,540 students and other community members. The School District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Metropolitan Education Council, Tri-Rivers Career Center, Ohio School Plan, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals 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. Following are the more significant of the School District’s accounting policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Investments

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

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

During fiscal year 2014, the School District invested in nonnegotiable and negotiable certificates of deposit and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share, which is the price the investment could be sold for on June 30, 2014.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$44,752, which includes \$10,943 assigned from other School District funds.

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

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

F. Capital Assets

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

G. Compensated Absences

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Long-Term Obligations

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

I. Net Position

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

J. Fund Balance

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

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

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The 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 use in satisfying those contractual requirements.

Assigned - Amounts in the assigned 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. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 - 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 Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is 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 is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$1,379,036.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

As of June 30, 2014, the School District had the following investments:

	Fair Value	Maturity
Negotiable Certificates of Deposit	\$296,000	10/30/14
Negotiable Certificates of Deposit	99,000	5/9/17
Negotiable Certificates of Deposit	197,000	2/14/18
Negotiable Certificates of Deposit	99,000	5/23/19
STAR Ohio	313,722	51.4 Days
	\$1,004,722	

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

The negotiable certificates of deposit are covered by FDIC and/or SIPC insurance. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. At June 30, 2014, the negotiable certificates of deposit accounted for 68.78 percent of the School District's investment portfolio.

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$154,480,080	91.06%	\$189,781,560	92.35%
Industrial/Commercial	6,195,700	3.65	6,196,840	3.02
Public Utility	8,982,290	5.29	9,523,320	4.63
Total Assessed Value	\$169,658,070	100.00%	\$205,501,720	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.05		\$36.15	

NOTE 6 - INCOME TAXES

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$288,011	\$0	\$0	\$288,011
Construction In Progress	27,662	257,057	(284,719)	0
Total Nondepreciable Capital Assets	315,673	257,057	(284,719)	288,011
Depreciable Capital Assets				
Land Improvements	936,656	284,719	0	1,221,375
Buildings and Building Improvements	35,400,903	0	0	35,400,903
Furniture, Fixtures, and Equipment	1,059,438	55,861	0	1,115,299
Vehicles	1,679,772	105,872	(53,099)	1,732,545
Total Depreciable Capital Assets	39,076,769	446,452	(53,099)	39,470,122
Governmental Activities Capital Assets	\$39,392,442	\$703,509	(\$337,818)	\$39,758,133

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

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

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

For fiscal year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

NOTE 8 - RISK MANAGEMENT (continued)

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

NOTE 9 - CONTRACTUAL COMMITMENTS

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$1,410,030
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NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School 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 can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$777,184 and \$36,067 for the fiscal year ended June 30, 2014, \$790,307 and \$33,991 for the fiscal year ended June 30, 2013, and \$802,104 and \$34,483 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$13,692 made by the School District and \$10,758 made by the plan members. In addition, member contributions of \$28,338 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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 among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$276,558, \$268,608, and \$256,216, respectively. For fiscal year 2014, 77 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code 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 postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$63,611, \$64,243, and \$64,871, respectively. For fiscal year 2014, 83 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, 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 obligation 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 by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$42,171 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,956, \$3,281, and \$11,096, respectively. For fiscal year 2014, 77 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$16,045, \$15,173, and \$15,131, respectively. For fiscal year 2014, 77 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - OTHER EMPLOYEE BENEFITS (continued)

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

B. Employee Insurance Benefits

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

C. Separation Benefits

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

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

At June 30, 2014, the School District did not have any liability for separation benefits.

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2012 Refunding General Obligation Bonds					
Serial Bonds 1.5-3%	\$8,480,000	\$0	\$615,000	\$7,865,000	\$630,000
Bond Premium	300,738	0	21,811	278,927	0
Total General Obligation Bonds	\$8,780,738	\$0	\$636,811	\$8,143,927	\$630,000

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

The refunded bonds are fully retired.

The School District's overall debt margin was \$10,244,198 with an unvoted debt margin of \$195,978 at June 30, 2014.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Serial	Interest	Total
2015	\$630,000	\$200,150	\$830,150
2016	650,000	180,950	830,950
2017	670,000	161,150	831,150
2018	690,000	145,925	835,925
2019	415,000	134,525	549,525
2020-2024	2,250,000	508,162	2,758,162
2025-2029	2,560,000	192,963	2,752,963
	\$7,865,000	\$1,523,825	\$9,388,825

NOTE 14 - FUND BALANCE

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$67,774	\$67,774
Debt Retirement	0	471,142	0	471,142
Food Service Operations	0	0	140,195	140,195
Permanent Improvements	0	0	400,129	400,129
Regular Instruction	0	0	8,627	8,627
School Facilities Maintenance	0	0	366,952	366,952
Special Instruction	0	0	22,298	22,298
Total Restricted	0	471,142	1,005,975	1,477,117

(continued)

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 - FUND BALANCE (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Assigned for:				
Extracurricular Activities	\$99,046	\$0	\$0	\$99,046
Projected Budget Shortage	2,135,978	0	0	2,135,978
Unpaid Obligations	1,379,036	0	0	1,379,036
Total Assigned	<u>3,614,060</u>	<u>0</u>	<u>0</u>	<u>3,614,060</u>
Unassigned	<u>7,211,341</u>	<u>0</u>	<u>0</u>	<u>7,211,341</u>
Total Fund Balance	<u>\$10,825,401</u>	<u>\$471,142</u>	<u>\$1,005,975</u>	<u>\$12,302,518</u>

NOTE 15 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

	<u>Capital Improvements</u>
Balance June 30, 2013	\$0
Current Year Set Aside Requirement	250,815
Current Year Offsets	<u>(250,815)</u>
Set Aside Reserve Balance June 30, 2014	<u>\$0</u>

NOTE 16 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$75,927, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$127,154 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Education Council

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

The School District also participates in the Metropolitan Education Council (MEC) computer consortium. This is an association of public school districts within the boundaries of Franklin, Union, Madison, Pickaway, Fairfield, Jackson, Richland, Trumbull, and Mahoning Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of the MEC computer consortium consists of the superintendent, his designee, or a member of the board of education of each participating school district, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. During fiscal year 2014, the School District paid \$40,288 to the MEC for various services. Financial information for both the purchasing cooperative and computer consortium can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

B. Tri-Rivers Career Center

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

NOTE 18 - INSURANCE POOLS

A. Ohio School Plan

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

NOTE 18 - INSURANCE POOLS (continued)

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

C. Stark County Schools Council of Governments Health Benefit Plan

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

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

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

SUPPLEMENTARY DATA

**NORTH UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2014	\$ 48,836	\$ 48,836
(D) (E) National School Lunch Program	10.555	2014	260,711	260,711
(C) (D) National School Lunch Program - Food Donation	10.555	2014	29,474	29,474
Total National School Lunch Program			290,185	290,185
Total Child Nutrition Grant Cluster			339,021	339,021
Total U.S. Department of Agriculture			339,021	339,021
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2013	18,145	24,777
Title I Grants to Local Educational Agencies	84.010	2014	178,710	172,067
Total Title I Grants to Local Educational Agencies			196,855	196,844
Special Education Grant Cluster:				
(F) Special Education _Grants to States	84.027	2013	17,081	27,999
(F) Special Education _Grants to States	84.027	2014	230,249	219,994
Total Special Education _Grants to States			247,330	247,993
(F) Special Education _Preschool Grants	84.173	2014	4,260	4,260
Total Special Education Grant Cluster			251,590	252,253
Improving Teacher Quality State Grants	84.367	2013	3,166	3,619
Improving Teacher Quality State Grants	84.367	2014	56,782	56,178
Total Improving Teacher Quality State Grants			59,948	59,797
(G) ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395A	2013	(250)	873
(G) ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395A	2014	44,965	44,965
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act - Ohio Performance Assessment Pilot Grant	84.395A	2014	24,000	17,000
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act - Mini-Grant Expand Value-Added Competition	84.395A	2014	5,300	5,300
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act - Advanced Placement Network	84.395A	2014	10,000	9,776
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act			84,015	77,914
Total U.S. Department of Education			592,408	586,808
Total Federal Financial Assistance			\$ 931,429	\$ 925,829

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2014, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395A	2013	\$ 250	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395A	2014		\$ 250
Totals			\$ 250	\$ 250



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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the North Union Local School District's basic financial statements and have issued our report thereon dated December 19, 2014, wherein we noted the North Union Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Board of Education
North Union Local School District

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
December 19, 2014



Julian & Grube, Inc.
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**Independent Auditor's Report on Compliance With Requirements Applicable to
The Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education

Report on Compliance for The Major Federal Program

We have audited North Union Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the North Union Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies North Union Local School District's major federal program.

Management's Responsibility

North Union Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on North Union Local School District's compliance for the North Union Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about North Union Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
North Union Local School District

Opinion on The Major Federal Program

In our opinion, North Union Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

North Union Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered North Union Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of North Union Local School District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 19, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Child Nutrition Grant Cluster: School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Note: The District filed GAAP statements on 11-24-14

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Dave Yost • Auditor of State

NORTH UNION LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 16, 2015**