



**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Management's Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position – Cash Basis | 15 |
| Statement of Activities – Cash Basis | 16 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds | 17 |
| Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds | 18 |
| Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund..... | 19 |
| Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds | 20 |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Fund..... | 21 |
| Notes to the Basic Financial Statements | 23 |
| Schedule of Receipts and Expenditures of Federal Awards..... | 57 |
| Notes to the Schedule of Receipts and Expenditures of Federal Awards | 58 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 59 |
| Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance..... | 61 |
| Schedule of Findings..... | 65 |
| Corrective Action Plan..... | 69 |
| Summary Schedule of Prior Audit Findings | 70 |

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OHIO AUDITOR OF STATE KEITH FABER



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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such 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, 2018, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, 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 January 28, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The management's discussion and analysis of the North Union Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- The total net cash position of the District increased \$376,461 or 2.78% from fiscal year 2017.
- General cash receipts accounted for \$16,365,182 or 80.95% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$3,850,092 or 19.05% of total cash receipts of \$20,215,274.
- The District had \$19,838,813 in cash disbursements related to governmental activities; only \$3,850,092 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,365,182 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$17,800,758 in cash receipts and \$17,708,992 in cash disbursements. During fiscal year 2018, the general fund's cash balance increased from \$11,089,916 to \$11,181,682.
- The bond retirement fund had \$782,692 in cash receipts and \$848,726 in cash disbursements. During fiscal year 2018, the bond retirement fund's cash balance decreased from \$556,604 to \$490,570.

Using these Cash Basis Basic Financial Statements (BFS)

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

The *statement of net position - cash basis* and *statement of activities - cash basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position - cash basis and the statement of activities - cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting will take into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

The statement of net position - cash basis and the statement of activities - cash basis include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position - cash basis and statement of activities - cash basis can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund; all other governmental funds are considered non-major.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position - cash basis and statement of changes in fiduciary net position - cash basis on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-55 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The District as a Whole

The statement of net position - cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2018 and 2017.

| | Net Cash Position | |
|---------------------------------|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2018</u> | <u>2017</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 13,934,343 | \$ 13,557,882 |
| <u>Net cash position</u> | | |
| Restricted | \$ 2,752,661 | \$ 2,467,966 |
| Unrestricted | <u>11,181,682</u> | <u>11,089,916</u> |
| Total net cash position | <u>\$ 13,934,343</u> | <u>\$ 13,557,882</u> |

At June 30, 2018, the District's net cash position was \$13,934,343. A portion of this amount, or \$2,752,661, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$11,181,682 may be used to meet the District's ongoing obligations to its students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The following table shows the change in net cash position for fiscal years 2018 and 2017.

| | Change in Net Position | |
|--|---|---|
| | Governmental Activities <u>2018</u> | Governmental Activities <u>2017</u> |
| <u>Cash Receipts</u> | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 2,247,420 | \$ 2,077,596 |
| Operating grants, contributions and interest | 1,602,672 | 1,742,290 |
| General cash receipts: | | |
| Property taxes | 6,087,893 | 5,977,186 |
| Income taxes | 1,975,571 | 1,962,276 |
| Grants and entitlements | 8,046,176 | 8,003,245 |
| Investment earnings | 200,872 | 108,582 |
| Miscellaneous | <u>54,670</u> | <u>52,340</u> |
| Total cash receipts | <u>20,215,274</u> | <u>19,923,515</u> |
| <u>Cash disbursements</u> | | |
| Program disbursements: | | |
| Instruction: | | |
| Regular | 7,326,280 | 7,412,714 |
| Special | 2,277,197 | 2,163,948 |
| Vocational | 1,010,252 | 880,200 |
| Other | 42,385 | 11,083 |
| Support services: | | |
| Pupil | 1,361,944 | 1,323,303 |
| Instructional staff | 672,645 | 558,144 |
| Board of education | 32,557 | 34,469 |
| Administration | 1,257,766 | 1,242,455 |
| Fiscal | 541,551 | 580,473 |
| Operations and maintenance | 2,051,393 | 2,212,067 |
| Pupil transportation | 1,032,921 | 925,576 |
| Central | - | 4,094 |
| Food service operations | 730,383 | 646,395 |
| Other non-instructional services | - | 827 |
| Extracurricular activities | 497,943 | 430,895 |
| Principal retirement | 845,273 | 817,716 |
| Interest and fiscal charges | <u>158,323</u> | <u>181,106</u> |
| Total cash disbursements | <u>19,838,813</u> | <u>19,425,465</u> |
| Change in net cash position | 376,461 | 498,050 |
| Net cash position at beginning of year | <u>13,557,882</u> | <u>13,059,832</u> |
| Net cash position at end of year | <u>\$ 13,934,343</u> | <u>\$ 13,557,882</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

Net cash position of the District's governmental activities increased \$376,461. Total governmental cash disbursements of \$19,838,813 were offset by program cash receipts of \$3,850,092 and general cash receipts of \$16,365,182. Program cash receipts supported 19.41% of the total governmental disbursements.

In total, cash receipts increased slightly compared to the prior year. Regular day and open enrollment tuition receipts continue to increase for the District, leading to an increase in charges for services program cash receipts. This was partially offset by a decrease in operating grants and contributions due to a decrease in State and Federal grants, particularly for the District's food service program. The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These sources represent 79.69% of total governmental cash receipts. Unrestricted grants and entitlements primarily consist of Foundation Program revenue from the State that is allocated to the District.

Total cash disbursements changed slightly in fiscal year 2018, increasing \$413,348 or 2.13%. The largest expense of the District is for instructional programs. Instruction disbursements totaled \$10,656,114 or 53.71% of total governmental cash disbursements for fiscal year 2018. The increase in vocational instruction disbursement is due to an increase in regular secondary costs, in particular the costs associated with the purchase of equipment.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted grants and entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

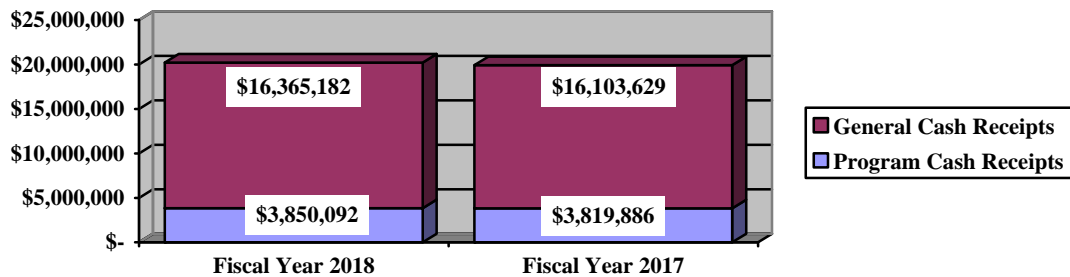
Governmental Activities

| | Total Cost of Services <u>2018</u> | Net Cost of Services <u>2018</u> | Total Cost of Services <u>2017</u> | Net Cost of Services <u>2017</u> |
|-----------------------------------|--|--|--|--|
| Program cash disbursements | | | | |
| Instruction: | | | | |
| Regular | \$ 7,326,280 | \$ 5,622,931 | \$ 7,412,714 | \$ 5,840,679 |
| Special | 2,277,197 | 1,350,683 | 2,163,948 | 1,216,006 |
| Vocational | 1,010,252 | 870,864 | 880,200 | 743,307 |
| Other | 42,385 | 42,385 | 11,083 | 11,083 |
| Support services: | | | | |
| Pupil | 1,361,944 | 1,195,565 | 1,323,303 | 1,123,991 |
| Instructional staff | 672,645 | 653,089 | 558,144 | 538,465 |
| Board of education | 32,557 | 32,557 | 34,469 | 34,469 |
| Administration | 1,257,766 | 1,257,766 | 1,242,455 | 1,242,455 |
| Fiscal | 541,551 | 459,259 | 580,473 | 500,300 |
| Operations and maintenance | 2,051,393 | 2,051,393 | 2,212,067 | 2,212,067 |
| Pupil transportation | 1,032,921 | 1,032,921 | 925,576 | 925,576 |
| Central | - | - | 4,094 | 4,094 |
| Food service operations | 730,383 | 63,620 | 646,395 | (79,348) |
| Other non-instructional services | - | - | 827 | 827 |
| Extracurricular activities | 497,943 | 352,092 | 430,895 | 292,786 |
| Principal retirement | 845,273 | 845,273 | 817,716 | 817,716 |
| Interest and fiscal charges | 158,323 | 158,323 | 181,106 | 181,106 |
| Total | <u><u>\$ 19,838,813</u></u> | <u><u>\$ 15,988,721</u></u> | <u><u>\$ 19,425,465</u></u> | <u><u>\$ 15,605,579</u></u> |

The dependence upon general cash receipts for governmental activities is apparent; with 80.59% and 80.34% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2018 and 2017, respectively.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

Governmental Activities - General and Program Cash Receipts



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund cash balance of \$13,934,343, compared to last year's combined fund cash balance of \$13,557,882. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

| | Fund Cash Balance <u>June 30, 2018</u> | Fund Cash Balance <u>June 30, 2017</u> | <u>Change</u> |
|-----------------------|---|---|-------------------|
| General | \$ 11,181,682 | \$ 11,089,916 | \$ 91,766 |
| Bond retirement | 490,570 | 556,604 | (66,034) |
| Nonmajor governmental | <u>2,262,091</u> | <u>1,911,362</u> | <u>350,729</u> |
| Total | <u>\$ 13,934,343</u> | <u>\$ 13,557,882</u> | <u>\$ 376,461</u> |

General Fund

The table that follows assists in illustrating the cash receipts of the general fund.

| | <u>2018 Amount</u> | <u>2017 Amount</u> | <u>Change</u> | <u>Percentage Change</u> |
|-----------------------------|------------------------|------------------------|-------------------|------------------------------|
| <u>Cash Receipts</u> | | | | |
| Property taxes | \$ 5,116,947 | \$ 4,908,454 | \$ 208,493 | 4.25 % |
| Income taxes | 1,975,571 | 1,962,276 | 13,295 | 0.68 % |
| Tuition | 1,558,029 | 1,385,097 | 172,932 | 12.49 % |
| Earnings on investments | 200,872 | 108,582 | 92,290 | 85.00 % |
| Intergovernmental | 8,720,698 | 8,678,549 | 42,149 | 0.49 % |
| Other receipts | <u>228,641</u> | <u>271,825</u> | <u>(43,184)</u> | <u>(15.89) %</u> |
| Total | <u>\$ 17,800,758</u> | <u>\$ 17,314,783</u> | <u>\$ 485,975</u> | <u>2.81 %</u> |

Property tax receipts increased by the largest amount, due to an increase in the amount of unreserved general real estate taxes collected. Increases in tuition and intergovernmental cash receipts complemented this increase in property taxes. The increase in tuition receipts is due to an increase in regular day and open enrollment receipts for the District, while the increase in intergovernmental receipts is primarily related to an increased allocation of Foundation Program revenue from the State.

The table that follows assists in illustrating the cash disbursements of the general fund.

| | <u>2018 Amount</u> | <u>2017 Amount</u> | <u>Change</u> | <u>Percentage Change</u> |
|---|------------------------|------------------------|-------------------|------------------------------|
| <u>Cash Disbursements</u> | | | | |
| Instruction | \$ 10,432,734 | \$ 10,203,361 | \$ 229,373 | 2.25 % |
| Support services | 6,738,106 | 6,394,746 | 343,360 | 5.37 % |
| Operation of non-instructional services | - | 827 | (827) | 100.00 % |
| Extracurricular activities | 370,481 | 310,069 | 60,412 | 19.48 % |
| Debt service | <u>167,671</u> | <u>167,672</u> | <u>(1)</u> | <u>(0.00) %</u> |
| Total | <u>\$ 17,708,992</u> | <u>\$ 17,076,675</u> | <u>\$ 632,317</u> | <u>3.70 %</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Instruction disbursements increased due to increases in vocational costs associated with the purchase of equipment and special education costs associated with grades K-12 developmentally handicapped students. The increase in support services disbursements is primarily due to the school district's net increase of fifteen classified and certified employees.

Bond Retirement Fund

The bond retirement fund is reported as a major fund for the District and is used to accumulate resources (primarily property taxes) for the repayment of principal and interest on general obligation bonds. The bond retirement fund had \$782,692 in cash receipts and \$848,726 in cash disbursements. During fiscal year 2018, the bond retirement fund's cash balance decreased from \$556,604 to \$490,570.

General Fund Budgeting Highlights

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

For the general fund, original estimated budgetary basis receipts and other financing sources of \$16,172,678 were increased to \$17,253,757 in the final budget. Estimated tuition receipts were increased \$192,641 (15.07%) to reflect the increase in open enrollment students. Intergovernmental receipts increased \$171,914 (2.09%) in order to reflect an increased allocation from the State Foundation Program. The actual budgetary basis receipts and other financing sources of \$17,772,380 exceeded final budget estimates by \$518,623. Actual intergovernmental receipts increased \$329,173 (3.92%) due to the increase in State Foundation Program funding.

Original budgetary basis disbursements and other financing uses of \$21,855,286 decreased to \$19,063,420 in the final budget. Estimated regular instruction disbursements decreased \$821,166 (9.67%) due primarily to regular elementary school costs. The actual budgetary basis disbursements of \$18,667,593 were \$395,827 less than the final budget estimates. Actual operations and maintenance disbursements were \$266,230 below final budget as a result of savings in property maintenance and building repair services.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District did not have any facilities acquisition and construction disbursements during fiscal year 2018.

Debt Administration

At June 30, 2018, the District had \$5,388,218 in general obligation bonds and capital lease obligations outstanding. Of the total outstanding debt, \$578,218 is due within one year and \$4,810,000 is due in more than one year. There were no additions to long-term obligations in fiscal year 2018 and total reductions were \$845,273.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The following table summarizes the District's outstanding debt.

Outstanding Debt at Year End

| | Governmental Activities <u>2018</u> | Governmental Activities <u>2017</u> |
|--------------------------|---|---|
| General obligation bonds | \$ 5,225,000 | \$ 5,915,000 |
| Capital leases | <u>163,218</u> | <u>318,491</u> |
| Total | <u>\$ 5,388,218</u> | <u>\$ 6,233,491</u> |

See Notes 11 and 12 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Issues

The Board of Education entered into a negotiated agreement in the Spring of 2017 that will be in effect until June 30, 2021. 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 District will continue to monitor current settlements around the State and develop a negotiation strategy for the next round of negotiations.

The District is constantly evaluating the political climate and success of school districts that attempt to receive additional tax levies. Currently, the District has passed all operational levies. The 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.

The District transitioned to a different employee benefits consortium, the Stark County Council of Governments, after the prior consortium disbanded in 2012. The District qualified for two rate holidays during fiscal year 2014, fiscal year 2015, and fiscal year 2016. In Fiscal Year 2017, three (3) rate holidays were approved. These holidays for fiscal year 2017 took place in November 2016, December 2016 and January 2017. In FY 2018, two rate holidays were awarded – December 2017 and January 2018. In fiscal year 2019, three rate holidays have been awarded. These will take place November 2018, December 2018, and January 2019. They were true rate holidays for the employees and a minor cost (less than \$15,000) for the District due to the way rate holidays are calculated by the Stark County Council of Governments.

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

However, the district is currently looking to construct an approximately \$3,200,000 athletic facility. The planning stages have just begun. The hope is to have the project completed in late 2019 (December) or early 2020. The district plans to use a combination of cash on hand, donations and various financing (lease purchase) to finance the facility.

Finally, an issue continually facing the 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. The District will react as needed to any changes that may occur and address them to the best of its ability.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Scott Maruniak, CFO/Treasurer, North Union Local School District, 12920 State Route 739, Richwood, Ohio 43344.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 13,934,343 |
| Net position: | |
| Restricted for: | |
| Capital projects | \$ 1,343,570 |
| Classroom facilities maintenance | 543,065 |
| Debt service. | 490,570 |
| Athletics and music | 172,525 |
| Other purposes. | 202,931 |
| Unrestricted | 11,181,682 |
| Total net position | \$ 13,934,343 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Program Cash Receipts | | | Net (Disbursement) Receipt and Change in Net Position |
|---|-----------------------|-----------------------------------|--|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 7,326,280 | \$ 1,670,518 | \$ 32,831 | \$ (5,622,931) |
| Special | 2,277,197 | 27,081 | 899,433 | (1,350,683) |
| Vocational | 1,010,252 | - | 139,388 | (870,864) |
| Other | 42,385 | - | - | (42,385) |
| Support services: | | | | |
| Pupil | 1,361,944 | - | 166,379 | (1,195,565) |
| Instructional staff | 672,645 | - | 19,556 | (653,089) |
| Board of education | 32,557 | - | - | (32,557) |
| Administration | 1,257,766 | - | - | (1,257,766) |
| Fiscal | 541,551 | 82,292 | - | (459,259) |
| Operations and maintenance | 2,051,393 | - | - | (2,051,393) |
| Pupil transportation | 1,032,921 | - | - | (1,032,921) |
| Operation of non-instructional services: | | | | |
| Food service operations | 730,383 | 343,128 | 323,635 | (63,620) |
| Extracurricular activities | 497,943 | 124,401 | 21,450 | (352,092) |
| Debt service: | | | | |
| Principal retirement | 845,273 | - | - | (845,273) |
| Interest and fiscal charges | 158,323 | - | - | (158,323) |
| Totals | \$ 19,838,813 | \$ 2,247,420 | \$ 1,602,672 | (15,988,721) |

General receipts:

| | |
|--|----------------------|
| Property taxes levied for: | |
| General purposes | 5,116,947 |
| Classroom facilities maintenance | 65,403 |
| Debt service | 687,199 |
| Permanent improvements | 218,344 |
| Income taxes levied for: | |
| General purposes | 1,975,571 |
| Grants and entitlements not restricted to specific programs | 8,046,176 |
| Investment earnings | 200,872 |
| Miscellaneous | 54,670 |
| Total general receipts | 16,365,182 |
| Total general revenues, transfers and extraordinary items | 16,365,182 |
| Change in net position | 376,461 |
| Net position at beginning of year | 13,557,882 |
| Net position at end of year | \$ 13,934,343 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | <u>General</u> | <u>Bond Retirement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|----------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 11,181,682 | \$ 490,570 | \$ 2,262,091 | \$ 13,934,343 |
| Fund balances: | | | | |
| Restricted: | | | | |
| Debt service | \$ - | \$ 490,570 | \$ - | \$ 490,570 |
| Capital improvements | - | - | 1,343,570 | 1,343,570 |
| Classroom facilities maintenance | - | - | 543,065 | 543,065 |
| Food service operations | - | - | 202,716 | 202,716 |
| Regular instruction | - | - | 215 | 215 |
| Athletics and music. | - | - | 172,525 | 172,525 |
| Assigned: | | | | |
| Student instruction | 401,438 | - | - | 401,438 |
| Student and staff support | 673,915 | - | - | 673,915 |
| Extracurricular activities. | 523 | - | - | 523 |
| Subsequent year's appropriations | 4,130,075 | - | - | 4,130,075 |
| Unassigned | 5,975,731 | - | - | 5,975,731 |
| Total fund balances. | <u>\$ 11,181,682</u> | <u>\$ 490,570</u> | <u>\$ 2,262,091</u> | <u>\$ 13,934,343</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | <u>General</u> | <u>Bond Retirement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|----------------------------|--|---|
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 5,116,947 | \$ 687,199 | \$ 283,747 | \$ 6,087,893 |
| Income taxes | 1,975,571 | - | - | 1,975,571 |
| Tuition | 1,558,029 | - | - | 1,558,029 |
| Earnings on investments | 200,872 | - | 1,800 | 202,672 |
| Charges for services | 82,292 | - | 343,128 | 425,420 |
| Extracurricular | 135,570 | - | 124,401 | 259,971 |
| Contributions and donations | 4,000 | - | 21,450 | 25,450 |
| Other local revenues | 6,779 | - | 47,891 | 54,670 |
| Intergovernmental - state | 8,709,773 | 95,493 | 84,561 | 8,889,827 |
| Intergovernmental - federal | 10,925 | - | 724,846 | 735,771 |
| Total receipts | <u>17,800,758</u> | <u>782,692</u> | <u>1,631,824</u> | <u>20,215,274</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,293,449 | - | 32,831 | 7,326,280 |
| Special | 2,086,648 | - | 190,549 | 2,277,197 |
| Vocational | 1,010,252 | - | - | 1,010,252 |
| Other | 42,385 | - | - | 42,385 |
| Support services: | | | | |
| Pupil | 1,195,565 | - | 166,379 | 1,361,944 |
| Instructional staff | 653,089 | - | 19,556 | 672,645 |
| Board of education | 32,557 | - | - | 32,557 |
| Administration | 1,256,201 | 1,079 | 486 | 1,257,766 |
| Fiscal | 524,481 | 11,722 | 5,348 | 541,551 |
| Operations and maintenance | 2,043,292 | - | 8,101 | 2,051,393 |
| Pupil transportation | 1,032,921 | - | - | 1,032,921 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 730,383 | 730,383 |
| Extracurricular activities | 370,481 | - | 127,462 | 497,943 |
| Debt service: | | | | |
| Principal retirement | 155,273 | 690,000 | - | 845,273 |
| Interest and fiscal charges | 12,398 | 145,925 | - | 158,323 |
| Total disbursements | <u>17,708,992</u> | <u>848,726</u> | <u>1,281,095</u> | <u>19,838,813</u> |
| Net change in fund balances | 91,766 | (66,034) | 350,729 | 376,461 |
| Fund balances at beginning of year | <u>11,089,916</u> | <u>556,604</u> | <u>1,911,362</u> | <u>13,557,882</u> |
| Fund balances at end of year | <u>\$ 11,181,682</u> | <u>\$ 490,570</u> | <u>\$ 2,262,091</u> | <u>\$ 13,934,343</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 4,648,886 | \$ 5,116,947 | \$ 5,116,947 | \$ - |
| Income taxes | 1,833,735 | 1,975,571 | 1,975,571 | - |
| Tuition | 1,278,323 | 1,470,964 | 1,558,029 | 87,065 |
| Earnings on investments | 100,106 | 180,998 | 200,872 | 19,874 |
| Charges for services | - | - | 82,292 | 82,292 |
| Other local revenues | 43,364 | 6,560 | 6,779 | 219 |
| Intergovernmental - state | 8,184,408 | 8,385,153 | 8,709,773 | 324,620 |
| Intergovernmental - federal | 35,203 | 6,372 | 10,925 | 4,553 |
| Total receipts | <u>16,124,025</u> | <u>17,142,565</u> | <u>17,661,188</u> | <u>518,623</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,494,547 | 7,673,381 | 7,672,332 | 1,049 |
| Special | 2,215,590 | 2,189,220 | 2,129,621 | 59,599 |
| Vocational | 1,091,072 | 1,101,193 | 1,093,853 | 7,340 |
| Other | 19,536 | 37,889 | 42,385 | (4,496) |
| Support services: | | | | |
| Pupil | 1,140,037 | 1,218,530 | 1,211,743 | 6,787 |
| Instructional staff | 890,865 | 699,935 | 690,519 | 9,416 |
| Board of education | 62,904 | 40,780 | 40,860 | (80) |
| Administration | 1,809,531 | 1,384,827 | 1,344,776 | 40,051 |
| Fiscal | 662,816 | 492,692 | 566,813 | (74,121) |
| Operations and maintenance | 3,845,872 | 2,714,019 | 2,447,789 | 266,230 |
| Pupil transportation | 1,240,019 | 1,138,701 | 1,055,898 | 82,803 |
| Extracurricular activities | 381,385 | 371,253 | 371,004 | 249 |
| Total disbursements | <u>21,854,174</u> | <u>19,062,420</u> | <u>18,667,593</u> | <u>394,827</u> |
| Excess of disbursements over receipts | <u>(5,730,149)</u> | <u>(1,919,855)</u> | <u>(1,006,405)</u> | <u>913,450</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 48,653 | 111,192 | 111,192 | - |
| Transfers (out) | <u>(1,112)</u> | <u>(1,000)</u> | <u>-</u> | <u>1,000</u> |
| Total other financing sources (uses) | <u>47,541</u> | <u>110,192</u> | <u>111,192</u> | <u>1,000</u> |
| Net change in fund balance | (5,682,608) | (1,809,663) | (895,213) | 914,450 |
| Fund balance at beginning of year | 9,691,293 | 9,691,293 | 9,691,293 | - |
| Prior year encumbrances appropriated. | 1,309,726 | 1,309,726 | 1,309,726 | - |
| Fund balance at end of year | <u>\$ 5,318,411</u> | <u>\$ 9,191,356</u> | <u>\$ 10,105,806</u> | <u>\$ 914,450</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2018

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 197,292 | \$ 83,245 |
| Liabilities: | | |
| Held on behalf of others | - | \$ 83,245 |
| Net position: | | |
| Held in trust for scholarships. | 121,365 | |
| Endowment. | 75,927 | |
| Total net position. | \$ 197,292 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Private-Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest. | \$ 1,540 |
| Gifts and contributions. | 9,089 |
| Total additions | 10,629 |
| Deductions: | |
| Scholarships awarded. | 15,513 |
| Change in net position | (4,884) |
| Net position at beginning of year | 202,176 |
| Net position at end of year. | \$ 197,292 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1963. The District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The District is staffed by 80 classified employees, 119 certified teaching personnel, and 13 administrative employees who provide services to 1,511 students and other community members. The District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2018, the District paid Meta Solutions \$43,182 for services. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

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 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.

GROUP PURCHASING POOLS

Ohio School Plan

The 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.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Stark County Schools Council of Governments Health Benefit Plan

The 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.

B. Basis of Accounting

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

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.

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The District's major governmental funds are:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects, and (b) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The 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 District's agency funds account for various student-managed activities and payroll withholdings and deductions.

D. Basis of Presentation

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

The statement of net position - cash basis presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities - cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the 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 District's general receipts.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets

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 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.

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.

F. Cash and Investments

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

During fiscal year 2018, investments were limited to negotiable certificates of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District invested in STAR Ohio during fiscal year 2018. 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$200,872, which includes \$41,238 assigned from other District funds.

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

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting.

H. 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.

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Net Cash 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 primarily includes resources restricted for food service operations. The 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Fund Cash Balance

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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 fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund activities between governmental funds are eliminated in the statement of activities. The District did not have any interfund activity during fiscal year 2018.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District does not have any restricted assets.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

O. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

P. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 9 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$3,258,611 and the bank balance of all District deposits was \$3,446,897. Of the bank balance, \$2,728,070 was covered by the FDIC and \$718,827 was covered by the Ohio Pooled Collateral System.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

C. Investments

As of June 30, 2018, the District had the following investments and maturities:

| Investment type | Carrying Value | NAV/ Fair Value | Investment Maturities | | | | |
|-----------------|----------------------|----------------------|-----------------------|-------------------|--------------------|--------------------|---------------------------|
| | | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| Negotiable CD's | \$ 2,273,000 | \$ 2,257,155 | \$ 259,588 | \$ 967,042 | \$ 512,170 | \$ 420,434 | \$ 97,921 |
| STAR Ohio | 8,683,244 | 8,683,244 | 8,683,244 | - | - | - | - |
| Total | \$ 10,956,244 | \$ 10,940,399 | \$ 8,942,832 | \$ 967,042 | \$ 512,170 | \$ 420,434 | \$ 97,921 |

The weighted average maturity of investments is 0.22 years.

Negotiable CD's are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

| <u>Investment type</u> | <u>Carrying Value</u> | <u>% to Total</u> |
|------------------------|-----------------------|-------------------|
| Negotiable CD's | \$ 2,273,000 | 20.75 |
| STAR Ohio | <u>8,683,244</u> | <u>79.25</u> |
| Total | <u>\$ 10,956,244</u> | <u>100.00</u> |

D. Reconciliation of Cash to the Statement of Net Position - Cash Basis

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position - cash basis as of June 30, 2018:

| | |
|--|----------------------|
| <u>Cash per note</u> | |
| Carrying amount of deposits | \$ 3,258,611 |
| Investments | 10,956,244 |
| Cash on hand | <u>25</u> |
| Total | <u>\$ 14,214,880</u> |
| <u>Cash per statement of net position - cash basis</u> | |
| Governmental activities | \$ 13,934,343 |
| Private purpose trust fund | 197,292 |
| Agency funds | <u>83,245</u> |
| Total | <u>\$ 14,214,880</u> |

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - PROPERTY TAXES – (Continued)

The District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2018, are available to finance fiscal year 2018 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 2018 taxes were collected are:

| | 2017 Second Half Collections | | 2018 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 209,461,500 | 94.84 | \$ 211,600,350 | 94.11 |
| Public utility personal | <u>11,390,880</u> | <u>5.16</u> | <u>13,242,000</u> | <u>5.89</u> |
| Total | <u>\$ 220,852,380</u> | <u>100.00</u> | <u>\$ 224,842,350</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$34.70 | | \$33.25 | |

NOTE 6 - INCOME TAX

The 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the 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 | 66,831,934 |

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 2018, the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7 - RISK MANAGEMENT – (Continued)

For fiscal year 2018, the 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 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 District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The 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 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$338,154 for fiscal year 2018.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,017,585 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|--|---------------------|---------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.07685560% | 0.06414413% | |
| Proportion of the net pension liability current measurement date | <u>0.07360870%</u> | <u>0.06273255%</u> | |
| Change in proportionate share | <u>-0.00324690%</u> | <u>-0.00141158%</u> | |
| Proportionate share of the net pension liability | \$ 4,397,957 | \$ 14,902,252 | \$ 19,300,209 |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

| | |
|--|--|
| Wage inflation | 3.00 percent |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or ad hoc COLA | 2.50 percent |
| Investment rate of return | 7.50 percent net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | <u>10.00</u> | 3.00 |
| Total | <u>100.00 %</u> | |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 6,103,222 | \$ 4,397,957 | \$ 2,969,450 |

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

| | July 1, 2017 | July 1, 2016 |
|--------------------------------------|--|--|
| Inflation | 2.50 percent | 2.75 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent | 3.5 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date. |

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return *</u> |
|----------------------|------------------------------|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | <u>1.00</u> | 2.25 |
| Total | <u><u>100.00 %</u></u> | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS; investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 21,361,871 | \$ 14,902,252 | \$ 9,460,991 |

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$40,920.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$53,444 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability prior measurement date | 0.07792164% | 0.06414413% | |
| Proportion of the net OPEB liability current measurement date | <u>0.07473620%</u> | <u>0.06273255%</u> | |
| Change in proportionate share | <u>-0.00318544%</u> | <u>-0.00141158%</u> | |
| Proportionate share of the net OPEB liability | \$ 2,005,723 | \$ 2,447,593 | \$ 4,453,316 |

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

| | |
|--|---|
| Wage inflation | 3.00 percent |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent |
| Investment rate of return | 7.50 percent net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.56 percent |
| Prior measurement date | 2.92 percent |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.63 percent |
| Prior measurement date | 2.98 percent |
| Medical trend assumption: | |
| Medicare | 5.50 to 5.00 percent |
| Pre-Medicare | 7.50 to 5.00 percent |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Stocks | 22.50 | 4.75 |
| Non-US Stocks | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 2,422,166 | \$ 2,005,723 | \$ 1,675,794 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | 1% Decrease (6.5 % decreasing to 4.0 %) | Current Trend Rate (7.5 % decreasing to 5.0 %) | 1% Increase (8.5 % decreasing to 6.0 %) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | \$ 1,627,494 | \$ 2,005,723 | \$ 2,506,316 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

| | |
|--------------------------------------|--|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 |
| Blended discount rate of return | 4.13 percent |
| Health care cost trends | 6 to 11 percent initial, 4.5 percent ultimate |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return *</u> |
|----------------------|------------------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 3,285,854 | \$ 2,447,593 | \$ 1,785,092 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| District's proportionate share of the net OPEB liability | \$ 1,700,482 | \$ 2,447,593 | \$ 3,430,877 |

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

The 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - OTHER EMPLOYEE BENEFITS – (Continued)

C. Separation Benefits

The District offers a separation benefit in addition to regular severance benefits and STRS pension benefits to certified employees who notify the 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, 2018, the District did not have any liability for separation benefits.

NOTE 11 - LONG-TERM OBLIGATIONS

During fiscal year 2018, the following changes occurred in the District’s long-term obligations:

| | Balance Outstanding <u>June 30, 2017</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>June 30, 2018</u> | Amounts Due in <u>One Year</u> |
|----------------------------------|--|------------------|---------------------|--|--------------------------------------|
| Governmental activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| Series 2012 Refunding Bonds | | | | | |
| Serial bonds, 1.5% - 3% | \$ 5,915,000 | \$ - | \$ (690,000) | \$ 5,225,000 | \$ 415,000 |
| Capital lease obligation | <u>318,491</u> | <u>-</u> | <u>(155,273)</u> | <u>163,218</u> | <u>163,218</u> |
| Total governmental activities | <u>\$ 6,233,491</u> | <u>\$ -</u> | <u>\$ (845,273)</u> | <u>\$ 5,388,218</u> | <u>\$ 578,218</u> |

See Note 12 for information regarding the capital lease obligation.

Series 2012 Refunding General Obligation Bonds

On April 25, 2012, the 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 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2018 are as follows:

| Fiscal Year Ending June 30 | General Obligation Serial Bonds | | |
|-------------------------------|------------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2019 | \$ 415,000 | \$ 134,525 | \$ 549,525 |
| 2020 | 430,000 | 124,000 | 554,000 |
| 2021 | 440,000 | 113,100 | 553,100 |
| 2022 | 450,000 | 101,438 | 551,438 |
| 2023 | 460,000 | 90,625 | 550,625 |
| 2024 - 2028 | 2,490,000 | 263,863 | 2,753,863 |
| 2029 | 540,000 | 8,100 | 548,100 |
| Total | <u>\$ 5,225,000</u> | <u>\$ 835,651</u> | <u>\$ 6,060,651</u> |

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$15,501,382 (including available funds of \$490,570) and an unvoted debt margin of \$224,842.

NOTE 12 - CAPITAL LEASE - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into a lease agreement for copiers. The lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the basic financial statements.

Principal and interest payments in fiscal year 2018 were \$155,273 and \$12,398. These amounts are reported as debt service disbursements in the general fund.

The following is a schedule of the future minimum lease payments required under the lease agreement and the present value of the future minimum lease payments as of June 30, 2018:

| Fiscal Year Ending <u>June 30,</u> | <u>Amount</u> |
|---|-------------------|
| 2019 | \$ 167,672 |
| Total minimum lease payments | 167,672 |
| Less: amount representing interest | <u>(4,454)</u> |
| Present value of minimum lease payments | <u>\$ 163,218</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|------------------------------------|---------------------------------|
| Set-aside balance June 30, 2017 | \$ - |
| Current year set-aside requirement | 275,045 |
| Current year offsets | <u>(362,004)</u> |
| Total | <u>\$ (86,959)</u> |
| Set-aside balance June 30, 2018 | <u><u>\$ -</u></u> |

NOTE 14 - DONOR RESTRICTED ENDOWMENTS

The 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 District is \$121,365 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of cash receipts, disbursements and change in fund balance - budget and actual - budgetary basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance

| | <u>General fund</u> |
|-----------------------------|---------------------|
| Budget basis | \$ (895,213) |
| Funds budgeted elsewhere | (1,739) |
| Adjustment for encumbrances | 988,718 |
| Cash basis | \$ 91,766 |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the public school support fund.

NOTE 16 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

| | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| <u>Fund</u> | |
| General | \$ 1,029,350 |
| Nonmajor governmental | 27,338 |
| Total | \$ 1,056,688 |

NOTE 17 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 17 – CONTINGENCIES – (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the fiscal year 2018 reviews, the District is due \$20,644 from ODE. This amount has not been included in the financial statements.

NOTE 18 - TAX ABATEMENTS

The village of Richwood has entered into a tax abatement agreement with Richwood Bank for the abatement of real property taxes. Under the agreements established by Ohio Revised Code (ORC) 5709.632 and 3735.65 through 3735.70, the business agrees to bring jobs and economic development into the Village in exchange for forgone property tax receipts. Under the agreements, the District's property tax receipts were abated by \$5,083. The District received \$5,083 from the business in association with the forgone tax receipts.

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| FEDERAL GRANTOR <i>Passed Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Total Federal Receipts | Total Federal Expenditures |
|--|---------------------------|------------------------------|----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <i>Passed through the Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance | | | |
| National School Lunch Program | 10.555 | \$ 46,417 | \$ 46,417 |
| Cash Assistance | | | |
| School Breakfast Program | 10.553 | 53,535 | 53,535 |
| National School Lunch Program | 10.555 | 262,426 | 262,426 |
| Total Child Nutrition Cluster | | <u>362,378</u> | <u>362,378</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>362,378</u> | <u>362,378</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <i>Passed through the Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 141,668 | 141,668 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 210,885 | 210,885 |
| Special Education - Preschool Grants | 84.173 | 7,655 | 7,655 |
| Total Special Education Cluster | | <u>218,540</u> | <u>218,540</u> |
| Supporting Effective Instruction State Grant | 84.367 | 32,831 | 32,831 |
| Student Support and Academic Enrichment Program | 84.424 | 9,972 | 9,972 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | <u>403,011</u> | <u>403,011</u> |
| TOTAL RECEIPTS EXPENDITURES OF FEDERAL AWARDS | | <u>\$ 765,389</u> | <u>\$ 765,389</u> |

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Union Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



**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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2019, wherein we noted the 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 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 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 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.

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2018-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019



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

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 the North Union Local School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect North Union Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

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Basis for Qualified Opinion on Child Nutrition Cluster

As described in findings 2018-002 and 2018-003 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management, reporting and eligibility applicable to its Child Nutrition Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, North Union Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the 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 the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2018-002 and 2018-003.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

North Union Local School District
Union County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 28, 2019

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Qualified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | No |

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018
(Continued)**

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

| | |
|-----------------------|-----------------|
| Finding Number | 2018-001 |
|-----------------------|-----------------|

**Material Noncompliance
GAAP Reporting**

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while material, cannot be determined at this time.

Pursuant to **Ohio Rev. Code § 117.38** the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

Refer to Corrective Action Plan.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018
(Continued)**

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

| | | | |
|---|---|-----------------------------------|----------|
| Finding Number | 2018-002 | | |
| CFDA Title and Number | Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555 | | |
| Federal Award Identification Number / Year | 2018 | | |
| Federal Agency | U.S. Department of Agriculture | | |
| Compliance Requirement | Cash Management & Reporting | | |
| Pass-Through Entity | Ohio Department of Education | | |
| Repeat Finding from Prior Audit? | Yes | Finding Number (if repeat) | 2017-002 |

Noncompliance and Material Weakness

7 C.F.R. § 210.8(a)(2) provides that prior to submission of a monthly claim for reimbursement, each school food authority (SFA) shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly claim for reimbursement. Additionally, **7 C.F.R. § 210.8(b)** provides that to be entitled to reimbursement, each SFA shall submit to the State Agency (Ohio Department of Education (ODE)) a monthly Claim for Reimbursement. Finally, **7 C.F.R. § 210.8(c)** provides that the Claim for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed. Such data shall include, at a minimum, the number of free, reduced price, and paid lunches served to eligible children.

The District used a common claim form with respect to claims for reimbursements for lunches and breakfasts served. However, the District’s internal control procedures over the claims reimbursement process failed, which resulted in the District not accurately reporting the number of meals served to ODE based on their monthly reports for two of the three months tested (under and overpayment of \$5 and \$114, respectively).

Failure to properly implement internal controls and ensure accurate reporting to ODE could result in the District receiving inaccurate funding.

We recommend that the District establish and implement internal control procedures to ensure that claims for reimbursement are accurately submitted to ODE.

Officials’ Response:

Refer to Corrective Action Plan.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

| | | | |
|---|---|-----------------------------------|-----|
| Finding Number | 2018-003 | | |
| CFDA Title and Number | Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555 | | |
| Federal Award Identification Number / Year | 2018 | | |
| Federal Agency | U.S. Department of Agriculture | | |
| Compliance Requirement | Eligibility | | |
| Pass-Through Entity | Ohio Department of Education | | |
| Repeat Finding from Prior Audit? | No | Finding Number (if repeat) | N/A |

Noncompliance and Material Weakness

7 C.F.R. § 245.6(a) provides that each local educational agency participating in the National School Lunch Program, School Breakfast Program, Special Milk Program, or a commodity only school, shall provide meal benefit forms for use by families in making application for free or reduced price meals or free milk for their children. Furthermore, **7 C.F.R. § 245.6(c)(4)** provides the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

Of the applications tested for fiscal year 2018, the benefits on 7% (1/14) of the applications approved by the District's Food Service Director were incorrectly calculated based on the household's total current income and the income eligibility limits.

Failure to properly calculate household income could result in incorrect eligibility determinations and therefore the District being incorrectly reimbursed by the federal government.

The District should review procedures for determining eligibility and implement additional control practices which will ensure eligibility is properly and accurately determined based on applicable criteria.

Officials' Response:

Refer to Corrective Action Plan.



North Union Local School District

12920 State Route 739

Richwood, OH 43344

Phone: (740) 943-2509

Fax: (740) 943-2534

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2018

Board of Education

Brian Davis, *President*

Jean Wedding, *Vice*

President

William Davenport

Matt Staley

Shelly Ehret

Administrative Team

Richard J. Baird, Superintendent

Scott W. Maruniak, Treasurer

Erika Bower, Chief Academic Officer

Jared Evans, Director of Technology

Thomas Brown, Special Education Director

Brian Nauman, Maintenance and

Transportation Director

Beverly Wasserbeck, Food Service Director

North Union Elementary

420 Grove Street

Richwood, Ohio 43344

Darlene Allison, Principal

Maria Hirst, Assistant Principal

(740) 943-3113

North Union Middle School

12555 Mulvane Road

Richwood, Ohio 43344

Matt Burggraf, Principal

(740) 943-2369

North Union High School

401 North Franklin Street

Richwood, Ohio 43344

Janel Chapman, Principal

Keith Conkling, Assistant Principal

(740) 943-3012

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|---|
| 2018-001 | The District does not have plans to correct the finding. The District will continue filing a cash basis financial report due to the cost of preparing GAAP basis report. | N/A | Scott Maruniak, Treasurer |
| 2018-002 | The Food Service Director has noted that two claims were submitted without the proper numbers entered. Claims numbers will double and triple check before submitting to the Ohio Department of Education. | 2/14/19 | Beverly Wasserbeck, Food Service Director |
| 2018-003 | The Food Service Director has noted that the application that was pulled for review had an error on the income. The column to the right was filled in and was not factored into the yearly income. The Director will take more time to ensure that all columns are totaled before finalizing the application. | 2/14/19 | Beverly Wasserbeck, Food Service Director |

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2018

Board of Education

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Jean Wedding, *Vice President*

William Davenport

Matt Staley

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Administrative Team

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| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---|--|
| 2017-001 | Material Noncompliance – Ohio Rev. Code §117.38 and Ohio Admin. Code § 117-2-03(B) – GAAP Reporting | Not Corrected and repeated as Finding 2018-001. | Recurrence due to the District's decision to file a cash basis financial report. Refer to the Corrective Action Plan. |
| 2017-002 | Material Noncompliance and Material Weakness – 7 C.F.R §210.8 Child Nutrition Cluster Cash Management & Reporting | Not Corrected and repeated as Finding 2018-002. | Recurrence due to the timing of the FY17 audit. Refer to the Corrective Action Plan related to Finding 2018-002 for planned corrective action. |

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OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 12, 2019**