

Dave Yost • Auditor of State

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, as of June 30, 2011 and the respective changes in cash financial position, thereof and budgetary comparison for the General fund and thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

December 22, 2011

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of North Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2011 are as follows:

In total, net assets decreased \$132,132, or less than 1 percent. This was not a significant change.

General revenues were \$14,043,268, or 83 percent of total revenues, and reflect the School District's continued dependence on property taxes, income taxes, and unrestricted State entitlements.

The School District's five-year forecast, approved by the Board of Education at each month's regular Board meeting, illustrates that estimated expenses are expected to exceed estimated revenues for fiscal years 2012 through 2016. However, due to a new negotiated agreement that freezes step increases, only provides a 1 percent base increase, and changes the medical plans will allow the School District to remain in the black through 2016. The School District is reviewing when would be an opportune time to ask the voters to approve an additional emergency operating levy so that current programs can continue to operate. The approval of an additional levy will ensure that there will not be an interruption of revenue to continue to provide the children of North Union with a valuable and relevant education to compete in the current global economy. The Board will closely monitor spending to extend the amount of time before it is necessary to ask voters for new operational funds. To date, the School District has not gone to the voters for new operating funds in more than fifteen years. However, the State of Ohio is having very serious financial difficulties and may be looking to implement additional school funding cuts. To date, North Union has not been drastically affected by cuts imposed upon most public entities. We continue to monitor this situation very closely and will make adjustments to our forecast as necessary.

Currently, the School District provides for employee medical, drug, and dental insurance through a shared risk pool, the Champaign, Delaware, Marion, Union (CDMU) School Employee Welfare Benefit Association Trust. The pool consists of eight school districts and two educational service centers. On September 1, 2012, the CDMU will dissolve. North Union has already reviewed several other insurance consortiums to join in order to continue to provide medical, drug, and dental insurance to our employees. After this thorough review, we have elected to become part of the Stark County Council of Governments Insurance Consortium. This change will take place on September 1, 2012.

Using the Basic Financial Statements

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

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1 Net Assets			
	Governmental Activities		
	2011	2010	Change
<u>Assets:</u>			
Assets	\$14,744,051	\$14,876,183	(\$132,132)
 <u>Net Assets:</u>			
Restricted	3,947,581	4,454,437	(506,856)
Unrestricted	10,796,470	10,421,746	374,724
Total Net Assets	\$14,744,051	\$14,876,183	(\$132,132)

Although the overall change in net assets was not significant (less than 1 percent), note the changes in restricted and unrestricted net assets. For fiscal year 2011, debt service requirements were in excess of tax and tax related resources received. The School District structured the school construction debt to have a drop in the millage collected so that if additional resources were required for construction purposes, the School District could use this as a "no new millage" campaign for additional construction resources that might have been needed. In addition, there was an increase in resources required for operation of the new buildings. Both of these issues contributed to the decrease in restricted net assets. The increase in unrestricted net assets is the result of the reduction in expenditures in fiscal year 2011.

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$1,064,774	\$997,608	\$67,166
Operating Grants, Contributions, and Interest	1,865,984	1,613,211	252,773
Total Program Receipts	2,930,758	2,610,819	319,939
General Receipts			
Property Taxes Levied for General Purposes	3,724,956	3,564,895	160,061
Property Taxes Levied for Classroom Facilities Purposes	59,633	59,822	(189)
Property Taxes Levied for Debt Service	681,725	759,040	(77,315)
Property Taxes Levied for Permanent Improvements	145,662	139,020	6,642
Income Taxes Levied for General Purposes	1,581,079	1,587,262	(6,183)
Grants and Entitlements	7,425,477	7,804,068	(378,591)
Interest	267,366	435,721	(168,355)
Gifts and Donations	2,000	4,099	(2,099)
Miscellaneous	155,370	292,247	(136,877)
Sale of Capital Assets	0	44,800	(44,800)
Total General Receipts	14,043,268	14,690,974	(647,706)
Total Receipts	16,974,026	17,301,793	(327,767)
<u>Disbursements:</u>			
Instruction:			
Regular	6,346,640	6,440,378	93,738
Special	1,694,772	1,577,755	(117,017)
Vocational	813,986	869,965	55,979
Support Services:			
Pupils	680,032	630,046	(49,986)
Instructional Staff	945,084	972,739	27,655
Board of Education	32,854	39,891	7,037
Administration	1,059,201	1,061,168	1,967
Fiscal	482,716	471,066	(11,650)
Operation and Maintenance of Plant	1,920,479	1,887,947	(32,532)
Pupil Transportation	997,534	935,545	(61,989)
Central	14,458	13,976	(482)
Food Service	638,711	631,421	(7,290)
Extracurricular Activities	367,082	393,028	25,946
Capital Outlay	119,009	3,310,970	3,191,961

(continued)

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2011	2010	Change
<u>Disbursements</u> (continued):			
Debt Service:			
Principal Retirement	\$490,000	\$465,000	(\$25,000)
Interest and Fiscal Charges	503,600	519,970	16,370
Total Disbursements	<u>17,106,158</u>	<u>20,220,865</u>	<u>3,114,707</u>
Decrease in Net Assets	(132,132)	(2,919,072)	2,786,940
Net Assets at Beginning of Year	<u>14,876,183</u>	<u>17,795,255</u>	<u>(2,919,072)</u>
Net Assets at End of Year	<u>\$14,744,051</u>	<u>\$14,876,183</u>	<u>(\$132,132)</u>

Program receipts increased from the prior fiscal year. Charges for services increased primarily due to an increase in open enrollment. Operating grants and contributions increased generally from additional federal grant resources received as a result of the American Recovery and Reinvestment Act (Title VI-B and Title I), as well as from two new programs, Race to the Top and Education Jobs.

The primary contributions to the decrease in general receipts were the decrease in tax collections related to debt service, a decrease in overall unrestricted state aid, and a reduction in earnings on investments (less resources to invest and much lower interest rates).

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

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$6,346,640	\$6,440,378	\$5,618,348	\$5,820,493
Special	1,694,772	1,577,755	422,545	508,146
Vocational	813,986	869,965	682,099	739,060

(continued)

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Support Services:				
Pupils	\$680,032	\$630,046	\$675,032	\$617,013
Instructional Staff	945,084	972,739	945,084	972,739
Board of Education	32,854	39,891	32,854	39,891
Administration	1,059,201	1,061,168	1,059,201	1,061,168
Fiscal	482,716	471,066	482,716	471,066
Operation and Maintenance of Plant	1,920,479	1,887,947	1,920,479	1,887,947
Pupil Transportation	997,534	935,545	979,150	912,935
Central	14,458	13,976	7,633	7,117
Food Service	638,711	631,421	11,397	36,340
Extracurricular Activities	367,082	393,028	226,253	240,191
Capital Outlay	119,009	3,310,970	119,009	3,310,970
Debt Service:				
Principal Retirement	490,000	465,000	490,000	465,000
Interest and Fiscal Charges	503,600	519,970	503,600	519,970
Total Disbursements	<u>\$17,106,158</u>	<u>\$20,220,865</u>	<u>\$14,175,400</u>	<u>\$17,610,046</u>

Over 83 percent of the School District's programs were provided for through general receipts in fiscal year 2011 (a decrease of 4 percent from the prior year and due to capital outlay). However, note there were a couple of programs which received substantial support through program receipts. Over 75 percent of special instruction program costs were provided for through program receipts, primarily grant resources, including stimulus monies, restricted to special instruction activities. Program receipts provided for 98 percent of the food service program costs. These resources include cafeteria sales and state and federal grants and commodities for the food service operations. Over 38 percent of program fees cover the costs associated with the extracurricular activities program. Sources of revenue for these programs include music and athletic fees, ticket sales, and gate receipts.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund had a modest 3 percent increase in fund balance from the prior fiscal year. The Bond Retirement Fund had an 11percent decrease in fund balance as debt related costs were in excess of tax and tax related receipts.

General Fund Budgeting Highlights

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

North Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

Debt Administration

The School District's outstanding debt at June 30, 2011, consisted of general obligation bonds, in the amount of \$10,740,000. This debt will not be fully retired until fiscal year 2031. For further information regarding the School District's long-term obligations, refer to Note 12 to the basic financial statements.

Current Issues

The Board of Education entered into a negotiated agreement in June 2011 that will be in effect until June 2014. Classified employees are receiving a per hour increase based on class of employee. Certified employees are receiving a base increase dependent on salary scale. The agreement included that all step increases will be frozen in fiscal years 2013 and 2014. To assist in maintaining positive labor relations, the Board of Education and the North Union Education Association have continued to meet in a Labor Relations Committee to address concerns and find potential solutions. The School District will continue to monitor current settlements around the State and develop a negotiation strategy for the next round of negotiations that will be taking place in the spring of 2014. In addition, the School District is constantly evaluating the political climate and success of school districts that attempt to receive additional tax levies. Currently, the climate is not in the least bit favorable for school districts that are going to the voters to pass these additional taxes. North Union Local School District is very thankful to be in our current financial situation.

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

Contacting the School District's Financial Management

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

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North Union Local School District
Statement of Net Assets - Cash Basis
June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,727,567
Cash and Cash Equivalents with Fiscal Agent	16,484
Total Assets	14,744,051
 <u>Net Assets:</u>	
Restricted for:	
Capital Projects	\$1,734,051
Debt Service	1,789,867
Other Purposes	423,663
Unrestricted	10,796,470
Total Net Assets	\$14,744,051

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,346,640	\$589,735	\$138,557	(\$5,618,348)
Special	1,694,772	0	1,272,227	(422,545)
Vocational	813,986	0	131,887	(682,099)
Support Services:				
Pupils	680,032	0	5,000	(675,032)
Instructional Staff	945,084	0	0	(945,084)
Board of Education	32,854	0	0	(32,854)
Administration	1,059,201	0	0	(1,059,201)
Fiscal	482,716	0	0	(482,716)
Operation and Maintenance of Plant	1,920,479	0	0	(1,920,479)
Pupil Transportation	997,534	0	18,384	(979,150)
Central	14,458	0	6,825	(7,633)
Food Service	638,711	338,630	288,684	(11,397)
Extracurricular Activities	367,082	136,409	4,420	(226,253)
Capital Outlay	119,009	0	0	(119,009)
Debt Service:				
Principal Retirement	490,000	0	0	(490,000)
Interest and Fiscal Charges	503,600	0	0	(503,600)
Total Governmental Activities	\$17,106,158	\$1,064,774	\$1,865,984	(14,175,400)
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,724,956
Classroom Facilities Maintenance				59,633
Debt Service				681,725
Permanent Improvements				145,662
Income Taxes Levied for General Purposes				1,581,079
Grants and Entitlements not Restricted to Specific Programs				7,425,477
Interest				267,366
Gifts and Donations				2,000
Miscellaneous				155,370
Total General Receipts				14,043,268
Change in Net Assets				(132,132)
Net Assets at Beginning of Year				14,876,183
Net Assets at End of Year				\$14,744,051

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2011

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,796,470	\$1,773,383	\$2,157,714	\$14,727,567
Cash and Cash Equivalents with Fiscal Agent	0	16,484	0	16,484
Total Assets	<u>\$10,796,470</u>	<u>\$1,789,867</u>	<u>\$2,157,714</u>	<u>\$14,744,051</u>
<u>Fund Balances:</u>				
Restricted	\$0	\$1,789,867	\$2,157,714	\$3,947,581
Assigned	929,007	0	0	929,007
Unassigned	9,867,463	0	0	9,867,463
Total Fund Balances	<u>\$10,796,470</u>	<u>\$1,789,867</u>	<u>\$2,157,714</u>	<u>\$14,744,051</u>

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$3,724,956	\$681,725	\$205,295	\$4,611,976
Income Taxes	1,581,079	0	0	1,581,079
Intergovernmental	7,331,554	102,019	1,852,418	9,285,991
Interest	256,655	0	11,761	268,416
Tuition and Fees	589,735	0	0	589,735
Extracurricular Activities	0	0	136,409	136,409
Charges for Services	0	0	338,630	338,630
Gifts and Donations	2,000	0	4,420	6,420
Miscellaneous	151,078	0	4,292	155,370
Total Receipts	13,637,057	783,744	2,553,225	16,974,026
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	5,615,464	0	731,176	6,346,640
Special	1,285,105	0	409,667	1,694,772
Vocational	811,986	0	2,000	813,986
Support Services:				
Pupils	610,873	0	69,159	680,032
Instructional Staff	619,057	0	326,027	945,084
Board of Education	32,854	0	0	32,854
Administration	1,057,352	1,425	424	1,059,201
Fiscal	466,511	12,454	3,751	482,716
Operation and Maintenance of Plant	1,653,617	0	266,862	1,920,479
Pupil Transportation	926,264	0	71,270	997,534
Central	2,633	0	11,825	14,458
Food Service	0	0	638,711	638,711
Extracurricular Activities	238,255	0	128,827	367,082
Capital Outlay	0	0	119,009	119,009
Debt Service:				
Principal Retirement	0	490,000	0	490,000
Interest and Fiscal Charges	0	503,600	0	503,600
Total Disbursements	13,319,971	1,007,479	2,778,708	17,106,158
Changes in Fund Balances	317,086	(223,735)	(225,483)	(132,132)
Fund Balances at Beginning of Year - Restated (Note 3)	10,479,384	2,013,602	2,383,197	14,876,183
Fund Balances at End of Year	\$10,796,470	\$1,789,867	\$2,157,714	\$14,744,051

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Receipts:</u>				
Property Taxes	\$3,699,200	\$3,724,891	\$3,724,956	\$65
Income Taxes	1,477,225	1,557,001	1,581,079	24,078
Intergovernmental	6,841,513	7,331,225	7,331,554	329
Interest	434,078	249,057	263,823	14,766
Tuition and Fees	478,973	543,678	589,735	46,057
Gifts and Donations	973	2,000	2,000	0
Miscellaneous	111,272	140,602	140,602	0
Total Receipts	13,043,234	13,548,454	13,633,749	85,295
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,352,707	6,087,692	5,992,723	94,969
Special	1,411,702	1,423,490	1,352,732	70,758
Vocational	897,895	871,796	828,388	43,408
Support Services:				
Pupils	654,877	671,860	645,093	26,767
Instructional Staff	792,647	702,916	669,103	33,813
Board of Education	48,016	36,926	33,460	3,466
Administration	1,143,406	1,162,638	1,125,653	36,985
Fiscal	541,647	518,065	528,148	(10,083)
Operation and Maintenance of Plant	2,473,974	2,334,532	1,823,703	510,829
Pupil Transportation	1,091,474	1,098,094	969,246	128,848
Central	2,223	2,849	2,633	216
Extracurricular Activities	256,040	267,275	241,614	25,661
Capital Outlay	10,605	605	0	605
Total Disbursements	15,677,213	15,178,738	14,212,496	966,242
Excess of Receipts Under Disbursements	(2,633,979)	(1,630,284)	(578,747)	1,051,537
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	10,476	10,476	0
Transfers Out	(90,000)	(40,000)	0	40,000
Total Other Financing Sources (Uses)	(90,000)	(29,524)	10,476	40,000
Changes in Fund Balance	(2,723,979)	(1,659,808)	(568,271)	1,091,537
Fund Balance at Beginning of Year	9,567,560	9,567,560	9,567,560	0
Prior Year Encumbrances Appropriated	903,697	903,697	903,697	0
Fund Balance at End of Year	\$7,747,278	\$8,811,449	\$9,902,986	\$1,091,537

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$199,374	\$77,830
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$123,447	\$0
Held for Student Activities	0	77,830
Endowments	75,927	0
Total Net Assets	\$199,374	\$77,830

See Accompanying Notes to Basic Financial Statements

North Union Local School District
Statement of Cash Basis Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

Additions:

Interest	\$723
Gifts and Donations	9,253
Total Additions	<u>9,976</u>

Deductions:

Non-Instructional Services	<u>10,933</u>
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Change in Net Assets	(957)
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Net Assets at Beginning of Year	<u>200,331</u>
Net Assets at End of Year	<u><u>\$199,374</u></u>

See Accompanying Notes to Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 355th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-six classified employees, one hundred five certified teaching personnel, and eleven administrative employees who provide services to 1,520 students and other community members. The School District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Metropolitan Education Council, Tri-Rivers Joint Vocational School, Ohio School Plan, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

During fiscal year 2011, the School District invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

The Board of Education has allocated interest earnings according to state statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$256,655, which includes \$63,402 assigned from other School District funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

F. Capital Assets

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

G. Compensated Absences

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

H. Long-Term Obligations

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

I. Net Assets

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

J. Fund Balance

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

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principles

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$10,421,746	\$2,013,602	\$2,440,835	\$14,876,183
Change in Fund Structure	<u>57,638</u>	<u>0</u>	<u>(57,638)</u>	<u>0</u>
Adjusted Fund Balance at June 30, 2010	<u>\$10,479,384</u>	<u>\$2,013,602</u>	<u>\$2,383,197</u>	<u>\$14,876,183</u>

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - COMPLIANCE

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2011.

Fund	Estimated Resources plus Available Balances	Appropriations	Excess
Special Revenue Funds			
Education Management			
Information Systems	\$0	\$5,000	\$5,000
Network Connectivity	0	6,825	6,825
Title I	348,948	349,527	579

The Treasurer will review budgetary activity to ensure that appropriations are within estimated resources.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

Investments

As of June 30, 2011, the School District had the following investments.

	Carrying Value	Maturity
Federal National Mortgage Association Notes	\$500,000	4/15/13
Star Ohio	858,558	58.3 days average
	\$1,358,558	

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

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

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

	Carrying Value	Percentage of Portfolio
Federal National Mortgage Association	\$500,000	36.80%

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30

The School District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$134,715,350	90.87%	\$152,689,770	91.47%
Industrial/Commercial	5,906,170	3.98	6,331,260	3.79
Public Utility	7,628,460	5.15	7,915,300	4.74
Total Assessed Value	\$148,249,980	100.00%	\$166,936,330	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.70		\$37.70	

NOTE 7 - INCOME TAXES

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

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$2,000,000
Total per Year	4,000,000
Automobile Liability	2,000,000
Buildings and Contents - replacement cost	56,192,731

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 2011, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

NOTE 8 - RISK MANAGEMENT

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$791,299 and \$32,236 for the fiscal year ended June 30, 2011, \$776,312 and \$36,613 for the fiscal year ended June 30, 2010, and \$830,670 for the fiscal year ended June 30, 2009. For fiscal year 2011, 85 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$5,307 made by the School District and \$3,790 made by the plan members. In addition, member contributions of \$23,026 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$229,192, \$249,001, and \$172,968, respectively. For fiscal year 2011, 34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

C. Social Security System

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$63,757, \$62,906, and \$64,169, respectively. For fiscal year 2011, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care.

In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$38,432 in surcharge.

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$27,751, \$8,962, and \$79,158, respectively. For fiscal year 2011, 34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$14,749, \$14,808, and \$14,271, respectively. For fiscal year 2011, 34 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 11 - 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. For employees who have accumulated more than one hundred twenty days of sick leave may, at retirement, be granted up to an additional five days of sick leave payment dependent on their years of service with the School District.

B. Employee Insurance Benefits

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

C. Separation Benefits

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

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

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2003 General Obligation Bonds					
Serial Bonds 3-4.75%	\$5,755,000	\$0	\$490,000	\$5,265,000	\$350,000
Term Bonds 4.75-5.0%	5,475,000	0	0	5,475,000	0
Total General Obligation Bonds	\$11,230,000	\$0	\$490,000	\$10,740,000	\$350,000

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

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

Year	Amount
2023	\$575,000
2024	605,000
2025	635,000
2026	665,000

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

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

Year	Amount
2028	\$730,000
2029	765,000

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

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

Redemption Date	Redemption Price
December 1, 2012, and thereafter	100%

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

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

The School District's overall debt margin was \$5,361,760 with an unvoted debt margin of \$159,021 at June 30, 2011.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Total
	Serial	Term	Interest	
2012	\$350,000	\$0	\$488,515	\$838,515
2013	360,000	0	475,378	835,378
2014	375,000	0	461,128	836,128
2015	390,000	0	445,730	835,730
2016	405,000	0	429,428	834,428
2017-2021	2,310,000	0	1,858,390	4,168,390
2022-2026	1,075,000	1,815,000	1,254,249	4,144,249
2027-2031	0	3,660,000	471,563	4,131,563
	<u>\$5,265,000</u>	<u>\$5,475,000</u>	<u>\$5,884,381</u>	<u>\$16,624,381</u>

NOTE 13 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$65,512	\$65,512
Building Construction	0	0	528,701	528,701
Debt Retirement	0	1,789,867	0	1,789,867
Food Service Operations	0	0	78,167	78,167
Permanent Improvements	0	0	1,205,350	1,205,350
Regular Instruction	0	0	4,710	4,710
School Facilities				
Maintenance	0	0	259,151	259,151
Special Instruction	0	0	16,123	16,123
Total Restricted	<u>0</u>	<u>1,789,867</u>	<u>2,157,714</u>	<u>3,947,581</u>

(continued)

North Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - FUND BALANCE (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Assigned for:				
Extracurricular Activities	\$67,219	\$0	\$0	\$67,219
Unpaid Obligations	861,788	0	0	861,788
Total Assigned	929,007	0	0	929,007
Unassigned:				
	9,867,463	0	0	9,867,463
Total Fund Balance	\$10,796,470	\$1,789,867	\$2,157,714	\$14,744,051

NOTE 14 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	(\$3,417,715)	\$0
Current Year Set Aside Requirement	220,439	220,439
Qualifying Expenditures	(503,905)	0
Current Year Offsets	0	(220,439)
Set Aside Reserve Balance June 30, 2011	(\$3,701,181)	\$0

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

NOTE 15 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$75,927, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$123,447 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Education Council

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

The School District also participates in the Metropolitan Education Council (MEC) computer consortium. This is an association of public school districts within the boundaries of Franklin, Union, Madison, Pickaway, and Fairfield Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of the MEC computer consortium consists of the superintendent, his designee, or a member of the board of education of each participating school district, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. During fiscal year 2011, the School District paid \$37,650 to the MEC for various services. Financial information for both the purchasing cooperative and computer consortium can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

B. Tri-Rivers Joint Vocational School

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

NOTE 17 - INSURANCE POOLS

A. Ohio School Plan

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

NOTE 17 - INSURANCE POOLS (continued)

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

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

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

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

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

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

NOTE 18 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 37,199	\$ 37,199
Cash Assistance			
School Breakfast Program	10.553	39,927	39,927
National School Lunch Program	10.555	<u>241,565</u>	<u>241,565</u>
Total United States Department of Agriculture		<u>318,691</u>	<u>318,691</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	255,969	254,317
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>66,540</u>	<u>67,687</u>
Total Title I Grants to Local Educational Agencies Cluster		322,509	322,004
Special Education Cluster:			
Special Education Grants to States	84.027	256,115	256,480
ARRA - Special Education Grants to States	84.391	186,736	182,032
Special Education Preschool Grants	84.173	4,876	4,876
ARRA - Special Education Preschool Grants	84.392	<u>4,878</u>	<u>4,878</u>
Total Special Education Cluster		<u>452,605</u>	<u>448,266</u>
Education Technology State Grants	84.318	731	731
Education Jobs Fund	84.410	61,093	61,093
Improving Teacher Quality State Grants	84.367	71,571	70,278
ARRA - State Fiscal Stabilization Fund Education State Grants	84.394	565,462	565,462
ARRA- Race to the Top Incentive Grant	84.395	<u>5,162</u>	<u>5,162</u>
Total United States Department of Education		<u>1,479,133</u>	<u>1,472,996</u>
Total Federal Awards		<u>\$ 1,797,824</u>	<u>\$ 1,791,687</u>

The accompanying notes are an integral part of this schedule.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District adopted Government Accounting Standard 54, which resulted in reclassification to governmental fund balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

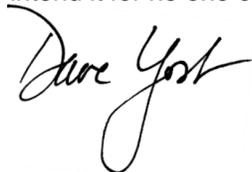
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

North Union Local School District
Union County
Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Required by Government Auditing Standards
Page 2

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 2011-01.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 22, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of North Union Local School District, Union County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of North Union Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the North Union Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as finding 2011-02.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-02 to be a material weakness.

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

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



Dave Yost
Auditor of State

December 22, 2011

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.027, 84.173, 84.391, 84.392 – Special Education Grants to State Cluster CFDA #84.394 – State Fiscal Stabilization Fund CFDA #84.010, 84.389 – Title I Grants to Local Educational Agencies Cluster CFDA #10.553, 10.555, 10.556, 10.559 – Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

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

FINDING NUMBER 2011-01

Noncompliance

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

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

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

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

Official’s Response:

North Union has elected to not prepare our financial statements in accordance with GAAP to reduce overall costs.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Allowable Costs/Cost Principles

Finding Number	2011-02
CFDA Title and Number	CFDA #84.027, 84.173, 84.391, 84.392 – Special Education Grants to State Cluster CFDA #84.010, 84.389 – Title I Grants to Local Educational Agencies CFDA #10.553, 10.555, 10.556, 10.559 – Child Nutrition Cluster
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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1. Allowable Costs/Cost Principles (Continued)

Noncompliance/Material Weakness

2 CFR Part 225, Appendix B subsection 8h provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, a distribution of compensation shall be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

The District did not complete semiannual certifications. Employees with 100% of their salaries charged to Special Education- Grants to States, Title I, and Child Nutrition Cluster grant funding did not have any semiannual certificates documenting that they were engaged solely in activities related to these programs. The District did maintain salary notices/contracts that documented the employees' pay rate and job title which were used to determine the allowability of these expenditures.

Additionally, we noted that three employees whose entire salary was paid by the Nutrition Cluster grant worked additional hours as paraprofessionals to tutor students. These employees did not consistently maintain daily time sheets for the time they were engaged in food service activities. These employees did, however, maintain time sheets for the additional tutoring hours for Special Education.

Failure to maintain proper time and effort documentation and semiannual certifications could result in questioned costs for employee compensation.

We recommend that District management ensure that adequate time and effort documentation is maintained for employees working on multiple activities. We also recommend that semiannual certifications be maintained for employees whose compensation is allocated to a single cost objective to demonstrate that he/she has been engaged solely in activities supportive of the cost objective. These certifications should be prepared semi-annually and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Official's Response/Corrective Action Plan:

North Union is looking to implement this requirement during the 2011-2012 school year.

Anticipated Completion Date: FY2012

Responsible Contact Person: Scott Maruniak, Treasurer

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code § 117.38 – Filing of GAAP statements	No	Not Corrected – Reissued as Finding 2011-001
2010-002	State Fiscal Stabilization Fund – Period of availability	Yes	N/A



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

North Union Local School District
Union County
12920 St. Rt. 739
Richwood, Ohio 43344

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether North Union Local School District, Union County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on May 17, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

December 22, 2011

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

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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
JANUARY 24, 2012**