



**Mary Taylor, CPA**  
Auditor of State



**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

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# Mary Taylor, CPA

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 the North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2008, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is 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. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 13, 2009

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North Union Local School District  
Union County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; 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 2008 are as follows:

In total, net assets increased \$1,127,173, or 3 percent, which is not a significant increase.

General revenues were \$14,548,458, or 86 percent of total revenues, and reflect the School District's continued dependence on property taxes, income taxes, and unrestricted State entitlements.

The School District is currently completing a total renovation of our existing high school and constructing a new 60,000 square foot middle school. The high school renovation will be dedicated on January 31, 2009, while the new middle school will be completed by July 20, 2009. Once these projects are complete, we will be demolishing the existing 1938 middle school as well as the Leesburg-Magnetic elementary school. These demolitions are scheduled to be completed by the end of the 2009 calendar year.

The School District's five-year forecast, approved by the Board of Education at each month's regular Board meeting, illustrates that estimated expenditures are expected to exceed estimated revenues for fiscal years 2009 through 2011, with a projected deficit fund balance in fiscal year 2012. In November 2008, the voters approved the renewal of an emergency operating levy. The approval of this levy ensures that there will not be an interruption of this revenue stream. The Board will closely monitor spending to extend the amount of time before it is necessary to ask voters for new operational funds. To date, the School District has not gone to the voters for new operating funds in more than ten years. However, the State of Ohio is having very serious financial difficulties and may be looking to cut school funding by as much as 25 percent. This reduction will most likely affect fiscal years 2009, 2010, and 2011. These cuts could have a very significant impact upon the financial security of our School District. We continue to monitor this situation very closely and will make adjustments to our forecast as necessary.

The School District provides for employee medical, drug, and dental insurance through a shared risk pool, the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. The pool consists of eight school districts and an educational service center. The pool is continually looking for ways to contain and minimize costs. At the end of the fiscal year, the Trust had excess reserves and gave all member school districts a one month rate holiday. The Trust annually reviews its cash position each year to determine if a rate holiday is available.



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Union County  
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Unaudited

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**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand North Union Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

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 the School District, the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors 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 activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

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

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

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Governmental Funds - All of the School District's programs 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 modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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. These funds use the accrual basis of accounting.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1 Net Assets			
	Governmental Activities		
	2008	2007	Change
<u>Assets:</u>			
Current and Other Assets	\$36,264,125	\$37,241,977	(\$977,852)
Capital Assets, Net	23,034,279	18,552,822	4,481,457
Total Assets	<u>59,298,404</u>	<u>55,794,799</u>	<u>3,503,605</u>
<u>Liabilities:</u>			
Current and Other Liabilities	8,127,949	5,403,705	(2,724,244)
Long-Term Liabilities	12,714,057	13,061,869	347,812
Total Liabilities	<u>20,842,006</u>	<u>18,465,574</u>	<u>(2,376,432)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	11,145,927	6,481,751	4,664,176
Restricted	18,096,751	22,344,438	(4,247,687)
Unrestricted	9,213,720	8,503,036	710,684
Total Net Assets	<u>\$38,456,398</u>	<u>\$37,329,225</u>	<u>\$1,127,173</u>

A review of the above table reveals several significant changes from the prior fiscal year. Note the increase in capital assets, net. This is the result of additional construction activities related to the high school and middle school funded with grant proceeds. This increase is also reflected in the increase in invested in capital assets as well as the decrease in restrict net assets (as grant proceeds were spent for construction). There was also a sizable increase in current and other liabilities, again related to outstanding contracts for the ongoing construction.

North Union Local School District  
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Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

Table 2  
 Change in Net Assets

	Governmental Activities		Change
	2008	2007	
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$858,263	\$758,183	\$100,080
Operating Grants, Contributions, and Interest	1,531,166	1,410,883	120,283
Capital Grants and Contributions	20,995	19,435	1,560
Total Program Revenues	<u>2,410,424</u>	<u>2,188,501</u>	<u>221,923</u>
General Revenues			
Property Taxes Levied for General Purposes	3,393,180	3,352,079	41,101
Property Taxes Levied for Classroom Facilities Maintenance	56,716	64,421	(7,705)
Property Taxes Levied for Debt Service	907,130	894,138	12,992
Property Taxes Levied for Permanent Improvement	127,720	136,816	(9,096)
Income Taxes Levied for General Purposes	1,617,906	1,565,640	52,266
Grants and Entitlements	7,464,345	29,520,652	(22,056,307)
Interest	880,161	587,696	292,465
Gifts and Donations	0	638	(638)
Miscellaneous	101,300	118,654	(17,354)
Total General Revenues	<u>14,548,458</u>	<u>36,240,734</u>	<u>(21,692,276)</u>
Total Revenues	<u>16,958,882</u>	<u>38,429,235</u>	<u>(21,470,353)</u>
<u>Expenses:</u>			
Instruction:			
Regular	6,788,114	5,862,110	(926,004)
Special	1,349,052	1,267,648	(81,404)
Vocational	683,309	601,847	(81,462)
Support Services:			
Pupils	580,664	487,055	(93,609)
Instructional Staff	866,042	786,336	(79,706)
Board of Education	28,133	28,738	605
Administration	1,008,473	973,964	(34,509)
Fiscal	439,745	392,943	(46,802)
Operation and Maintenance of Plant	1,541,124	1,510,240	(30,884)
Pupil Transportation	955,398	827,087	(128,311)
Central	48,670	28,414	(20,256)
Non-Instructional Services	590,324	522,529	(67,795)
Extracurricular Activities	338,211	292,912	(45,299)
Interest and Fiscal Charges	614,450	703,614	89,164
Total Expenses	<u>15,831,709</u>	<u>14,285,437</u>	<u>(1,546,272)</u>
Increase in Net Assets	1,127,173	24,143,798	(23,016,625)
Net Assets at Beginning of Year	<u>37,329,225</u>	<u>13,185,427</u>	<u>24,143,798</u>
Net Assets at End of Year	<u>\$38,456,398</u>	<u>\$37,329,225</u>	<u>\$1,127,173</u>

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Program revenues only represent approximately 14 percent of total revenues and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues. Program revenues remained fairly comparable to the prior fiscal year.

With the exception of revenues received from the State for construction purposes in the prior fiscal year, general revenues also remained comparable to the prior fiscal year. General revenues consist primarily of property taxes and income taxes (36 percent) and unrestricted State entitlements (State foundation resources - 51 percent). Other revenue sources, such as interest, gifts and donations, and miscellaneous revenues are insignificant and somewhat unpredictable revenue sources.

Overall, expenses increased almost 11 percent from fiscal year 2007. Much of this increase is related to incremental salary and benefit increases. The major program expense, as expected, is for instruction, which accounts for 56 percent of all expenses. The instruction category, however, does not include all activities associated with educating students as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education. These programs represent approximately 15 percent total expenses.

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 revenues and unrestricted state entitlements.

Table 3  
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$6,788,114	\$5,862,110	\$6,298,469	\$5,430,135
Special	1,349,052	1,267,648	300,609	313,878
Vocational	683,309	601,847	570,165	481,680
Support Services:				
Pupils	580,664	487,055	569,217	476,174
Instructional Staff	866,042	786,336	866,042	786,336
Board of Education	28,133	28,738	28,133	28,738
Administration	1,008,473	973,964	1,008,473	973,964
Fiscal	439,745	392,943	439,745	392,943
Operation and Maintenance of Plant	1,541,124	1,510,240	1,541,124	1,510,240
Pupil Transportation	955,398	827,087	905,886	782,866
Central	48,670	28,414	39,670	19,414
Non-Instructional Services	590,324	522,529	49,042	21,227
Extracurricular Activities	338,211	292,912	190,260	175,727
Interest and Fiscal Charges	614,450	703,614	614,450	703,614
<b>Total Expenses</b>	<b>\$15,831,709</b>	<b>\$14,285,437</b>	<b>\$13,421,285</b>	<b>\$12,096,936</b>

North Union Local School District  
Union County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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The total cost of services versus the net cost of services remained the same for fiscal year 2008 as in fiscal year 2007, 85 percent. The dependence upon property and income tax revenues and unrestricted State entitlements continues to be significant. Only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. One of these programs is special instruction which provides for 78 percent of program costs through program revenues, much of this in the form of operating grants restricted for special instruction purposes. Almost 92 percent of the non-instructional services program costs are provided for through program revenues. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Approximately 44 percent of extracurricular activities expenses are covered by program revenues. This is the result of 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 modified accrual basis of accounting. A review of the School District's major funds demonstrates an increase in fund balance for all of the major funds. While the changes in the General Fund from the prior fiscal year were not significant, just 5 percent, revenues continue to exceed expenditures providing for the moderate increase. For the Bond Retirement fund, tax collections continue to exceed amounts required to make current debt payments. The Ohio School Facilities Commission Fund will be used to construct a new middle school and renovate the existing high school. Currently, grant revenues have exceeded current construction costs.

### **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.

During fiscal year 2008, the School District amended its General Fund budget as needed. For revenues, there was significant change from the original budget to the final budget which reflects the uncertainty of revenue to be received from the State. Estimated revenues were increased as the fiscal year progressed to more closely reflect actual revenues. Since over 55 percent of the General Fund's revenue comes from the State, we would rather be on the low side than to project too much.

For expenditures, the changes from the original budget to the final budget amounts and from the final budget to actual expenditures were not significant.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2008, the School District had \$23,034,279 invested in capital assets (net of accumulated depreciation), an increase of \$4,481,457. Additions consisted primarily of construction on the new middle school building as well as renovations to the high school as well as two new school buses. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

North Union Local School District  
Union County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

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Debt

The School District's outstanding debt at June 30, 2008, consisted of general obligation bonds, in the amount of \$12,124,929. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Current Issues**

As stated previously, the School District has many construction projects that are underway or to be completed within the near future. These include the new middle school and renovations to the high school. These projects are being funded through the Ohio School Facilities Commission and the Permanent Improvement Fund. In addition, the voters passed a renewal of an emergency levy on November 4, 2008.

The Board of Education entered into a negotiated agreement in June 2006 that will be in effect until June 2009. Classified employees are receiving a per hour increase based on class of employee. Certified employees are receiving a base increase dependent on salary scale. To assist in maintaining positive labor relations, the Board of Education and the NUEA have established a Labor Relations Committee to address concerns and find potential solutions. In April 2009, the Union and North Union Board of Education will be meeting to renegotiate the agreement. The Board and Union have agreed to use an Interest Based Bargaining (IBB) style to develop the new negotiated agreement. This is currently scheduled to be completed over a two-day work session.

The last issue that is currently facing North Union 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. A recession will have an affect on all our revenue sources. This could mean lower tax collection, budget cuts from the State, and lower investment earnings.

**Contacting the School District's Financial Management**

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

North Union Local School District  
Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$27,883,733
Cash and Cash Equivalents with Fiscal Agent	16,484
Cash and Cash Equivalents with Escrow Agent	3,208
Accounts Receivable	56,784
Accrued Interest Receivable	80,225
Intergovernmental Receivable	3,035,221
Income Taxes Receivable	671,410
Prepaid Items	41,256
Property Taxes Receivable	4,475,804
Nondepreciable Capital Assets	5,875,011
Depreciable Capital Assets, Net	17,159,268
Total Assets	<u>59,298,404</u>
 <u>Liabilities:</u>	
Accounts Payable	163,413
Contracts Payable	1,993,262
Accrued Wages and Benefits Payable	1,288,474
Matured Compensated Absences Payable	42,952
Intergovernmental Payable	372,113
Retainage Payable	212,793
Matured Bonds and Interest Payable	16,484
Separation Benefits Payable	3,000
Accrued Interest Payable	84,659
Deferred Revenue	3,950,799
Long-Term Liabilities:	
Due Within One Year	465,822
Due in More Than One Year	12,248,235
Total Liabilities	<u>20,842,006</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	11,145,927
Restricted For:	
Debt Service	2,072,324
Capital Projects	15,541,455
Other Purposes	482,972
Unrestricted	9,213,720
Total Net Assets	<u><u>\$38,456,398</u></u>

See Accompanying Notes to Basic Financial Statements

North Union Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2008

Expenses	Program Revenues			
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,788,114	\$383,741	\$105,904	\$0
Special	1,349,052	5,380	1,043,063	0
Vocational	683,309	0	113,144	0
Support Services:				
Pupils	580,664	0	11,447	0
Instructional Staff	866,042	0	0	0
Board of Education	28,133	0	0	0
Administration	1,008,473	0	0	0
Fiscal	439,745	0	0	0
Operation and Maintenance of Plant	1,541,124	0	0	0
Pupil Transportation	955,398	0	28,517	20,995
Central	48,670	0	9,000	0
Non-Instructional Services	590,324	332,584	208,698	0
Extracurricular Activities	338,211	136,558	11,393	0
Interest and Fiscal Charges	614,450	0	0	0
Total Governmental Activities	\$15,831,709	\$858,263	\$1,531,166	\$20,995

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Classroom Facilities Maintenance Purposes  
Property Taxes Levied for Debt Service Purposes  
Property Taxes Levied for Permanent Improvement Purposes  
Income Taxes Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year  
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Expense) Revenue  
and Change in Net Assets

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Governmental  
Activities

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(\$6,298,469)  
(300,609)  
(570,165)

(569,217)  
(866,042)  
(28,133)  
(1,008,473)  
(439,745)  
(1,541,124)  
(905,886)  
(39,670)  
(49,042)  
(190,260)  
(614,450)

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(13,421,285)

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3,393,180  
56,716  
907,130  
127,720  
1,617,906  
7,464,345  
880,161  
101,300

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14,548,458

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1,127,173

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37,329,225  
\$38,456,398

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North Union Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$10,496,625	\$2,052,534	\$13,191,323	\$2,121,787	\$27,862,269
Cash and Cash Equivalents with Fiscal Agent	0	16,484	0	0	16,484
Accounts Receivable	56,784	0	0	0	56,784
Accrued Interest Receivable	80,225	0	0	0	80,225
Intergovernmental Receivable	7,690	0	2,946,908	80,623	3,035,221
Income Taxes Receivable	671,410	0	0	0	671,410
Prepaid Items	8,439	0	17,459	15,358	41,256
<b>Restricted Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	21,464	0	0	0	21,464
Cash and Cash Equivalents with Escrow Agent	0	0	3,208	0	3,208
Property Taxes Receivable	3,442,236	849,846	0	183,722	4,475,804
<b>Total Assets</b>	<b>\$14,784,873</b>	<b>\$2,918,864</b>	<b>\$16,158,898</b>	<b>\$2,401,490</b>	<b>\$36,264,125</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts Payable	\$141,416	\$0	\$0	\$21,997	\$163,413
Contracts Payable	0	0	1,927,062	66,200	1,993,262
Accrued Wages and Benefits Payable	1,160,970	0	0	127,504	1,288,474
Matured Compensated Absences Payable	27,945	0	0	15,007	42,952
Intergovernmental Payable	310,738	0	0	61,375	372,113
Retainage Payable	0	0	209,585	0	209,585
Matured Bonds Payable	0	16,484	0	0	16,484
Separation Benefits Payable	3,000	0	0	0	3,000
<b>Liabilities Payable from Restricted Assets:</b>					
Retainage Payable	0	0	3,208	0	3,208
Deferred Revenue	3,322,140	757,883	2,946,908	181,041	7,207,972
<b>Total Liabilities</b>	<b>4,966,209</b>	<b>774,367</b>	<b>5,086,763</b>	<b>473,124</b>	<b>11,300,463</b>
<b>Fund Balances:</b>					
Reserved for Property Taxes	337,727	91,963	0	18,420	448,110
Reserved for Budget Stabilization	21,464	0	0	0	21,464
Reserved for Encumbrances	1,268,947	0	3,743,193	192,036	5,204,176
<b>Unreserved, Reported in:</b>					
General Fund	8,190,526	0	0	0	8,190,526
Special Revenue Funds	0	0	0	308,010	308,010
Debt Service Fund	0	2,052,534	0	0	2,052,534
Capital Projects Funds	0	0	7,328,942	1,409,900	8,738,842
<b>Total Fund Balances</b>	<b>9,818,664</b>	<b>2,144,497</b>	<b>11,072,135</b>	<b>1,928,366</b>	<b>24,963,662</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$14,784,873</b>	<b>\$2,918,864</b>	<b>\$16,158,898</b>	<b>\$2,401,490</b>	<b>\$36,264,125</b>

See Accompanying Notes to the Basic Financial Statements

North Union Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2008

Total Governmental Fund Balances	\$24,963,662
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,034,279
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	39,703	
Accrued Interest Receivable	60,365	
Intergovernmental Receivable	2,962,647	
Income Taxes Receivable	117,563	
Property Taxes Receivable	76,895	
		3,257,173

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(84,659)	
General Obligation Bonds Payable	(12,124,929)	
Compensated Absences Payable	(589,128)	
		(12,798,716)

Net Assets of Governmental Activities	\$38,456,398
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See Accompanying Notes to the Basic Financial Statements

North Union Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,380,499	\$907,888	\$0	\$184,016	\$4,472,403
Income Taxes	1,613,961	0	0	0	1,613,961
Intergovernmental	7,884,871	125,216	14,786,225	977,086	23,773,398
Interest	717,641	0	141,209	2,400	861,250
Tuition and Fees	375,130	0	0	0	375,130
Extracurricular Activities	0	0	0	136,558	136,558
Charges for Services	0	0	0	332,584	332,584
Gifts and Donations	0	0	0	11,393	11,393
Miscellaneous	33,509	0	0	67,791	101,300
Total Revenues	<u>14,005,611</u>	<u>1,033,104</u>	<u>14,927,434</u>	<u>1,711,828</u>	<u>31,677,977</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	6,051,543	0	0	202,343	6,253,886
Special	1,155,499	0	0	219,115	1,374,614
Vocational	675,549	0	0	6,068	681,617
Support Services:					
Pupils	479,841	0	0	99,425	579,266
Instructional Staff	631,132	0	0	225,045	856,177
Board of Education	28,133	0	0	0	28,133
Administration	994,685	2,558	0	7,214	1,004,457
Fiscal	418,206	16,023	0	3,259	437,488
Operation and Maintenance of Plant	1,472,514	0	0	46,133	1,518,647
Pupil Transportation	905,186	0	0	0	905,186
Central	34,309	0	0	14,361	48,670
Non-Instructional Services	0	0	0	555,486	555,486
Extracurricular Activities	176,646	0	0	139,967	316,613
Capital Outlay	0	0	5,114,643	72,276	5,186,919
Debt Service:					
Principal Retirement	0	182,719	0	0	182,719
Interest on Capital Appreciation Bonds	0	192,281	0	0	192,281
Interest and Fiscal Charges	0	527,643	0	0	527,643
Total Expenditures	<u>13,023,243</u>	<u>921,224</u>	<u>5,114,643</u>	<u>1,590,692</u>	<u>20,649,802</u>
Excess of Revenues Over Expenditures	<u>982,368</u>	<u>111,880</u>	<u>9,812,791</u>	<u>121,136</u>	<u>11,028,175</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	0	0	0	507,000	507,000
Transfers Out	(507,000)	0	0	0	(507,000)
Total Other Financing Sources (Uses)	<u>(507,000)</u>	<u>0</u>	<u>0</u>	<u>507,000</u>	<u>0</u>
Changes in Fund Balances	475,368	111,880	9,812,791	628,136	11,028,175
Fund Balances at Beginning of Year	9,343,296	2,032,617	1,259,344	1,300,230	13,935,487
Fund Balances at End of Year	<u>\$9,818,664</u>	<u>\$2,144,497</u>	<u>\$11,072,135</u>	<u>\$1,928,366</u>	<u>\$24,963,662</u>

See Accompanying Notes to the Basic Financial Statements

North Union Local School District  
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2008

Changes in Fund Balances - Total Governmental Funds \$11,028,175

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	4,751,506	
Capital Outlay - Depreciable Capital Assets	111,729	
Depreciation	<u>(381,778)</u>	4,481,457

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	12,343	
Income Taxes	3,945	
Intergovernmental	(14,770,685)	
Interest	21,311	
Tuition and Fees	<u>13,991</u>	(14,719,095)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

182,719

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets.

Accrued Interest Payable	(11,176)	
Annual Accretion	(75,631)	
Payment on Accretion of Capital Appreciation Bonds	<u>192,281</u>	105,474

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

48,443

Change in Net Assets of Governmental Activities

\$1,127,173

See Accompanying Notes to the Basic Financial Statements

North Union Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,227,582	\$3,502,234	\$3,503,564	\$1,330
Income Taxes	1,316,408	1,649,261	1,664,860	15,599
Intergovernmental	6,864,844	7,877,946	7,879,722	1,776
Interest	391,398	706,655	737,736	31,081
Tuition and Fees	9,147	332,941	375,130	42,189
Miscellaneous	18,202	19,861	16,674	(3,187)
Total Revenues	<u>11,827,581</u>	<u>14,088,898</u>	<u>14,177,686</u>	<u>88,788</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,069,661	6,310,374	6,304,584	5,790
Special	1,062,247	1,186,022	1,185,773	249
Vocational	654,371	710,422	714,380	(3,958)
Support Services:				
Pupils	466,317	475,918	475,918	0
Instructional Staff	716,309	701,005	684,436	16,569
Board of Education	93,578	42,784	42,784	0
Administration	1,143,437	1,076,451	1,075,451	1,000
Fiscal	443,416	468,290	495,234	(26,944)
Operation and Maintenance of Plant	2,121,793	2,157,918	2,023,190	134,728
Pupil Transportation	974,829	1,197,297	1,167,297	30,000
Central	38,012	16,533	16,533	0
Extracurricular Activities	209,406	186,481	186,481	0
Capital Outlay	25,456	21,789	21,789	0
Total Expenditures	<u>14,018,832</u>	<u>14,551,284</u>	<u>14,393,850</u>	<u>157,434</u>
Excess of Revenues				
Under Expenditures	<u>(2,191,251)</u>	<u>(462,386)</u>	<u>(216,164)</u>	<u>246,222</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	27,197	27,197	0
Transfers Out	(532,692)	(507,000)	(507,000)	0
Total Other Financing Sources (Uses)	<u>(532,692)</u>	<u>(479,803)</u>	<u>(479,803)</u>	<u>0</u>
Changes in Fund Balance	(2,723,943)	(942,189)	(695,967)	246,222
Fund Balance at Beginning of Year	8,894,655	8,894,655	8,894,655	0
Prior Year Encumbrances Appropriated	967,115	967,115	967,115	0
Fund Balance at End of Year	<u>\$7,137,827</u>	<u>\$8,919,581</u>	<u>\$9,165,803</u>	<u>\$246,222</u>

See Accompanying Notes to the Basic Financial Statements

North Union Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$82,923	\$70,555
<u>Liabilities:</u>		
Undistributed Assets	0	\$1,450
Due to Students	0	69,105
Total Liabilities	0	\$70,555
<u>Net Assets:</u>		
Held in Trust for Scholarships	19,250	
Endowment	63,673	
Total Net Assets	\$82,923	

See Accompanying Notes to the Basic Financial Statements

North Union Local School District  
Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2008

Additions:

Interest	\$2,686
Gifts and Donations	20,628
Total Additions	<u>23,314</u>

Deductions:

Non-Instructional Activities	<u>11,699</u>
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Change in Net Assets 11,615

Net Assets at Beginning of Year 71,308

Net Assets at End of Year \$82,923

See Accompanying Notes to the Basic Financial Statements



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

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

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 355th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy classified employees, one hundred seven 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 20 and 21 to the basic financial statements.

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

The basic financial statements of North Union Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**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**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

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

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

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

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

**Fiduciary Funds**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and fiduciary funds use the full accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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. 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. 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”.

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as “Cash and Cash Equivalents with Escrow Agent”.

During fiscal year 2008, the School District invested in nonnegotiable certificates of deposit, which are reported at cost, federal agency securities, which are reported at fair value, and STAR Ohio. Fair value is based on quoted market prices. 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, 2008.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$717,641, which includes \$198,123 assigned from other School District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for budget stabilization.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**I. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	20 - 50 years
Buildings and Building Improvements	24 - 147 years
Furniture, Fixtures, and Equipment	8 - 75 years
Vehicles	10 - 40 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as liabilities on the fund financial statements when due.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those 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. As of June 30, 2008, there were no net assets restricted by enabling legislation.

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.

**M. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**N. Interfund Transactions**

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

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



**Note 2 - Summary of Significant Accounting Policies** (continued)

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

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Change in Accounting Principles**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$10,495 and \$46,381, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2008, the Title VI-B and Title II-A special revenue funds had deficit fund balances, in the amount of \$48,374 and \$16,044, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 4 - Accountability and Compliance** (continued)

**B. Compliance**

The following funds had final appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2008.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Special Revenue Funds			
SchoolNet Professional Development	\$0	\$2,430	\$2,430
Poverty Based Assistance	0	17,730	17,730
Miscellaneous State Grants	30,953	44,881	13,928
Title I	275,124	281,372	6,248
Title VI	2,152	3,468	1,316
Early Childhood Special Education	5,836	6,036	200
Title II-D	2,686	2,696	10

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

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 5 - Budgetary Basis of Accounting** (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$475,368
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	1,118,324
Accrued FY 2008, Not Yet Received in Cash	(933,664)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,607,120)
Accrued FY 2008, Not Yet Paid in Cash	1,641,528
Cash Adjustments:	
Unrecorded Activity FY 2007	(33,133)
Unrecorded Activity FY 2008	47,745
Prepaid Items	(4,984)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(1,400,031)
Budget Basis	(\$695,967)

**Note 6 - Deposits and Investments**

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

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

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

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

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 6 - Deposits and Investments** (continued)

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

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

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

Investments

As of June 30, 2008, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Bonds	\$100,094	6/29/12
Federal Home Loan Bank Bonds	103,250	8/27/12
Federal Home Loan Bank Bonds	515,780	9/07/12
Federal Home Loan Bank Bonds	241,953	4/22/13
Federal Home Loan Bank Notes	305,907	9/14/11
Federal Home Loan Bank Notes	202,562	1/26/12
Federal Home Loan Bank Notes	101,500	3/23/12
Federal Home Loan Bank Notes	251,875	5/07/12
Federal Home Loan Bank Notes	402,876	10/30/12

(continued)

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 6 - Deposits and Investments** (continued)

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$504,065	11/07/12
Federal Home Loan Bank Notes	147,234	5/14/13
Federal Home Loan Mortgage Corporation Notes	100,634	10/12/12
Federal Home Loan Mortgage Corporation Notes	603,870	10/15/12
Federal Home Loan Mortgage Corporation Notes	100,068	11/15/12
Federal Home Loan Mortgage Corporation Notes	1,209,972	11/20/12
Federal Home Loan Mortgage Corporation Notes	503,765	12/10/12
Federal Home Loan Mortgage Corporation Notes	1,254,693	12/15/12
Federal Home Loan Mortgage Corporation Notes	99,293	2/04/13
Federal Home Loan Mortgage Corporation Notes	195,804	3/15/13
Federal Home Loan Mortgage Corporation Notes	396,492	3/18/13
Federal Home Loan Mortgage Corporation Notes	502,970	6/12/13
Federal National Mortgage Association Notes	1,006,880	10/24/12
Federal National Mortgage Association Notes	500,000	4/15/13
STAR Ohio	14,856,792	53.8 days average
Total	<u>\$24,208,329</u>	

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

The Federal Home Loan Bank Bonds and Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio 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.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$2,877,096	11.88%
Federal Home Loan Mortgage Corporation	4,967,561	20.52
Federal National Mortgage Association	1,506,880	6.22

**Note 7 - Receivables**

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property and income taxes, are expected to be collected within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 7 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Ohio Department of Education	\$7,690
Ohio Schools Facilities Commission	
Ohio Schools Facilities Commission	2,946,908
Total Major Funds	2,954,598
Nonmajor Funds	
Food Service	10,379
Miscellaneous State Grants	9,000
Title I	51,093
Title II-A	10,151
Total Nonmajor Funds	80,623
Total Intergovernmental Receivables	\$3,035,221

The receivable from the Ohio School Facilities Commission is for grant resources to be used for the construction of new buildings.

**Note 8 - 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 9 - 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.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 9 - Property Taxes** (continued)

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 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.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$337,727 in the General Fund, \$6,078 in the Classroom Facilities Maintenance special revenue fund, \$91,963 in the Bond Retirement debt service fund, and \$12,342 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$460,792 in the General Fund, \$8,516 in the Classroom Facilities Maintenance special revenue fund, \$124,863 in the Bond Retirement debt service fund, and \$17,290 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 9 - Property Taxes** (continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$110,827,120	88.62%	\$125,964,197	89.95%
Industrial/Commercial	5,321,040	4.25	6,050,280	4.32
Public Utility	7,941,870	6.35	7,193,320	5.14
Tangible Personal	971,340	.78	827,110	.59
<b>Total Assessed Value</b>	<b>\$125,061,370</b>	<b>100.00%</b>	<b>\$140,034,907</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$41.25		\$41.25	

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$288,011	\$0	\$0	\$288,011
Construction in Progress	835,494	4,751,506	0	5,587,000
<b>Total Nondepreciable Capital Assets</b>	<b>1,123,505</b>	<b>4,751,506</b>	<b>0</b>	<b>5,875,011</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	733,377	0	0	733,377
Buildings and Building Improvements	17,467,178	0	0	17,467,178
Furniture, Fixtures, and Equipment	780,518	41,629	0	822,147
Vehicles	1,166,819	70,100	0	1,236,919
<b>Total Depreciable Capital Assets</b>	<b>20,147,892</b>	<b>111,729</b>	<b>0</b>	<b>20,259,621</b>

(continued)



North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**Note 10 - Capital Assets** (continued)

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Less Accumulated Depreciation				
Land Improvements	(\$42,794)	(\$18,519)	\$0	(\$61,313)
Buildings and Building Improvements	(1,734,749)	(209,204)	0	(1,943,953)
Furniture, Fixtures, and Equipment	(388,992)	(38,752)	0	(427,744)
Vehicles	(552,040)	(115,303)	0	(667,343)
Total Accumulated Depreciation	<u>(2,718,575)</u>	<u>(381,778)</u>	<u>0</u>	<u>(3,100,353)</u>
Depreciable Capital Assets, Net	<u>17,429,317</u>	<u>(270,049)</u>	<u>0</u>	<u>17,159,268</u>
Governmental Activities Capital Assets, Net	<u>\$18,552,822</u>	<u>\$4,481,457</u>	<u>\$0</u>	<u>\$23,034,279</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$128,722
Special	16,874
Vocational	4,578
Support Services:	
Pupils	920
Instructional Staff	13,662
Administration	10,471
Fiscal	2,720
Operation and Maintenance of Plant	28,176
Pupil Transportation	119,208
Non-Instructional Services	34,849
Extracurricular Activities	21,598
Total Depreciation Expense	<u><u>\$381,778</u></u>

**Note 11 - 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 2008, the School District contracted for the following insurance coverage.

North Union Local School District  
Notes to the Basic Financial Statements  
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**Note 11 - Risk Management** (continued)

Coverage provided by the Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Excess Liability	1,000,000

Coverage provided by The Netherlands Insurance Company is as follows:

Automobile Liability	1,000,000
Buildings and Contents - replacement cost	44,799,053

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 2008, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2008, 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 Delaware/Union County Educational Service Centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 12 - Significant Contractual Commitments**

The School District has several outstanding contracts for professional services. The following amounts remained on these contracts as of June 30, 2008:

Vendor	Contract Amount	Amount Paid as of 6/30/08	Outstanding Balance
Adena Corporation	\$2,584,250	\$102,218	\$2,482,032
CTL Engineering	60,000	23,761	36,239
Four Seasons Environmental	22,000	4,861	17,139
Gandee & Associates	22,000	12,030	9,970
Guenther Mechanical, Inc.	1,721,382	685,991	1,035,391
Gutridge Plumbing, Inc.	72,800	900	71,900
Louis R. Polster Company	87,164	0	87,164
MKC Associates, Inc.	250,916	21,189	229,727
Royal Electric Construction	851,607	0	851,607
Thomas and Marker Construction	776,971	491,054	285,917
Total Environmental Services	109,675	96,712	12,963
TP Mechanical Contractors	76,345	56,712	19,633
Vaughn Industries	1,229,400	620,472	608,928

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

**Note 13 - Defined Benefit Pension Plans** (continued)

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

Funding Policy - For the fiscal year ended June 30, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$785,102, \$747,355, and \$719,486 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$10,693 made by the School District and \$25,664 made by the plan members.

**B. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$163,345, \$161,597, and \$148,148 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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, 2008, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

**A. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$61,215, \$57,845, and \$55,646 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 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 2008, this amount was \$110,204.

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

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$74,539, \$53,650, and \$51,701 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Note 14 - Postemployment Benefits** (continued)

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 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$11,769, \$10,989, and \$11,791 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Note 15 - 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 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 their accrued but unused sick leave credit to a maximum of forty days for all employees.

**B. Health Care 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 9<sup>th</sup> of that year and they meet one of the following conditions:

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

At June 30, 2008, the liability for separation benefits was \$3,000 for governmental activities. At June 30, 2007, the liability for separation benefits was also \$5,000 for governmental activities. During fiscal year 2008, there were additional separation benefits, in the amount of \$3,000, and separation benefits paid, in the amount of \$5,000. The current separation benefit expires June 30, 2009.

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2003 General Obligation Bonds					
Serial Bonds 3-4.75%	\$6,220,000	\$0	\$0	\$6,220,000	\$0
Term Bonds 4.75-5.0%	5,475,000	0	0	5,475,000	0
Capital Appreciation Bonds 14.159%	376,071	0	182,719	193,352	193,352
Accretion on Capital Appreciation	353,227	75,631	192,281	236,577	236,577
Total General Obligation Bonds	12,424,298	75,631	375,000	12,124,929	429,929
Compensated Absences	637,571	12,300	60,743	589,128	35,893
Total Governmental Activities Long-Term Obligations	<u>\$13,061,869</u>	<u>\$87,931</u>	<u>\$435,743</u>	<u>\$12,714,057</u>	<u>\$465,822</u>

**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 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

North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 16 - Long-Term Obligations** (continued)

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%

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2007, 2008, and 2009. The maturity amount of the bonds is \$1,195,000. For fiscal year 2008, \$75,631 was accreted and \$375,000 was retired for a total bond value of \$429,929 at fiscal year end.

Compensated absences will be paid from the General Fund and the Food Service, Title VI-B, and Title I special revenue funds.

The School District's overall debt margin was \$2,211,888 with an unvoted debt margin of \$132,842 at June 30, 2008.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2009	\$0	\$0	\$193,352	\$789,290	\$982,642
2010	465,000	0	0	519,970	984,970
2011	490,000	0	0	503,600	993,600
2012	350,000	0	0	488,515	838,515
2013	360,000	0	0	475,378	835,378
2014-2018	2,035,000	0	0	2,141,243	4,176,243
2019-2023	2,520,000	0	0	1,636,714	4,156,714
2024-2028	0	3,175,000	0	966,281	4,141,281
2029-2031	0	2,300,000	0	176,250	2,476,250
	\$6,220,000	\$5,475,000	\$193,352	\$7,697,241	\$19,585,593



North Union Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**Note 17 - Set Asides**

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 years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2008.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2007	(\$1,491,499)	\$0	\$21,464
Current Year Set Aside Requirement	235,351	235,351	0
Qualifying Expenditures	(932,326)	(235,351)	0
Balance June 30, 2008	(\$2,188,474)	\$0	\$21,464

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 requirements in future fiscal years.

**Note 18 - Interfund Transfers**

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$507,000 to subsidize activities in other funds.

**Note 19 - Donor Restricted Endowments**

The School District's private purpose trust fund includes donor restricted endowments. The endowment, in the amount of \$63,673 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$19,250 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 endowment indicates that the interest should be used to provide a scholarship each year.

**Note 20 - 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 2008, the School District paid \$49,811 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 Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**Note 21 - 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 21 - Insurance Pools** (continued)

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

The School District participates in a group rating plan for worker's 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 Delaware/Union County Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee concerning aspects of the administration of the Trust.

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

**Note 22 - 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, 2008.

**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, 2008**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Union County Farm Service Agency</i>					
Direct and Counter-Cyclical Payments Program	10.055	\$ 415	\$ -	\$ 415	\$ -
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	27,235	-	27,235	-
National School Lunch Program	10.555	189,454	27,011	189,454	27,011
Total Child Nutrition Cluster		<u>216,689</u>	<u>27,011</u>	<u>216,689</u>	<u>27,011</u>
Total United States Department of Agriculture		<u>217,104</u>	<u>27,011</u>	<u>217,104</u>	<u>27,011</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	215,316	-	199,712	-
Special Education Cluster:					
Special Education Grants to States	84.027	328,356	-	298,944	-
Special Education Preschool Grants	84.173	6,036	-	6,036	-
Total Special Education Cluster		<u>334,392</u>	<u>-</u>	<u>304,980</u>	<u>-</u>
Safe and Drug Free School and Communities State Grants	84.186	6,086	-	8,522	-
State Grants for Innovative Programs	84.298	3,468	-	3,468	-
Education Technology State Grants	84.318	2,696	-	1,190	-
Improving Teacher Quality State Grants	84.367	71,041	-	72,994	-
Total United States Department of Education		<u>632,999</u>	<u>-</u>	<u>590,866</u>	<u>-</u>
<b>Total Federal Awards</b>		<u><u>\$ 850,103</u></u>	<u><u>\$ 27,011</u></u>	<u><u>\$ 807,970</u></u>	<u><u>\$ 27,011</u></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, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2008, the Ohio Department of Education (ODE) authorized the following transfers:

<b>CFDA Number</b>	<b>Program Title</b>	<b>Grant Year</b>	<b>Transfers Out</b>	<b>Transfers In</b>
84.186	Safe and Drug Free School and Communities State Grants	2007	\$1,226	
84.186	Safe and Drug Free School and Communities State Grants	2008		\$1,226



# Mary Taylor, CPA

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 the North Union Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2009. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated January 13, 2009.

### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated January 13, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

January 13, 2009





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of the North Union Local School District, Union County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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, Union County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 13, 2009

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**NORTH UNION LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Rev. Code § 5705.41 (B) Budgetary Expenditures exceed Appropriation Authority	Yes	
2007-002	Extracurricular Activities-Maintaining Supporting Documentation	Yes	
2007-003	Budgetary Posting-Estimated Revenue	Yes	
2007-004	Monitoring Budget Versus Actual Information	No	Partially Corrected-Reissued as Management Letter Recommendation



**Mary Taylor, CPA**  
Auditor of State

**NORTH UNION LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 26, 2009**