



Mary Taylor, CPA  
Auditor of State



**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759-0300

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Local School District, Belmont County, Ohio (the District), as of and for the year ended June 30, 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 Union Local School District, Belmont County, Ohio, as of and for the year ended 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 February 27, 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 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

February 27, 2009

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

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The discussion and analysis of the Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

***Financial Highlights***

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$9,522,695 in revenue or 70.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$3,916,620 or 29.1 percent of total revenues of \$13,439,315.
- Total program expenses were \$14,609,630.
- In total, net assets decreased \$1,170,315.
- Outstanding bonded debt decreased from \$2,639,995 to \$2,449,995 during 2008.

***Using this Annual Financial Report***

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

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

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, ie, food service operations.

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

***Fund Financial Statements***

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

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

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



**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

**(Table 1)**  
**Net Assets**  
**Governmental Activities**

	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 4,394,999	\$ 5,046,088
Capital Assets	12,772,473	13,294,941
Total Assets	17,167,472	18,341,029
<b>Liabilities</b>		
Other Liabilities	3,750,982	3,684,477
Long-Term Liabilities	3,709,268	3,779,015
Total Liabilities	7,460,250	7,463,492
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	10,271,094	10,592,004
Restricted	1,172,543	1,184,693
Unrestricted (Deficit)	(1,736,415)	(899,160)
Total Net Assets	\$ 9,707,222	\$ 10,877,537

Total net assets decreased by \$1,170,315. A decrease of \$522,468 in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by \$3,242, which was primarily a result of decreased deferred revenue.

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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

	2008	2007
<b>Revenues</b>		
<i>Program Revenues</i>		
Charges for Services	\$ 870,546	\$ 866,804
Operating Grants and Contributions	3,034,071	1,800,809
Capital Grants	12,003	19,596
<i>General Revenues</i>		
Property Taxes	2,620,670	3,023,397
Grants and Entitlements	6,753,687	7,879,182
Other	148,338	152,449
<i>Total Revenues</i>	13,439,315	13,742,237
<b>Program Expenses</b>		
Instruction	9,038,138	8,484,952
Support Services:		
Pupils and Instructional Staff	1,195,125	1,092,571
Board of Education, Administration and Fiscal	1,291,723	1,176,148
Operation and Maintenance of Plant	1,308,487	1,247,643
Pupil Transportation	748,103	702,065
Central	18,834	27,795
Operation of Non-instructional Services		
Food Service Operations	554,901	533,189
Community Services	0	4,020
Extracurricular Activities	313,214	299,164
Interest and Fiscal Charges	141,105	117,025
<i>Total Expenses</i>	14,609,630	13,684,572
<i>Change in Net Assets</i>	(1,170,315)	57,665
<i>Net Assets, Beginning of Year</i>	10,877,537	10,819,872
<i>Net Assets, End of Year</i>	\$ 9,707,222	\$ 10,877,537

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

***Governmental Activities***

Several revenue sources fund the District's governmental activities with intergovernmental revenue in the form of operating grants and unrestricted grants and entitlements being the largest contributor. Operating grants, entitlements and contributions generated \$9,799,761 in 2008. Property tax levies generated \$2,620,670 in 2008. With the combination of taxes and intergovernmental funding 85 percent of expenses in governmental activities, the District monitors both of these revenue sources very closely for fluctuations.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	Total Cost of Service 2008	Total Cost of Service 2007	Net Cost of Service 2008	Net Cost of Service 2007
Instruction	\$ 9,038,138	\$ 8,484,952	\$ (6,002,682)	\$ (6,877,074)
Support Services:				
Pupil and Instructional Staff	1,195,125	1,092,571	(1,001,070)	(595,090)
Board of Education, Administration, Fiscal and Central	1,310,557	1,203,943	(1,305,542)	(1,198,943)
Operation and Maintenance of Plant	1,308,487	1,247,643	(1,299,487)	(1,238,643)
Pupil Transportation	748,103	702,065	(677,577)	(662,228)
Food Service Operations	554,901	533,189	(74,523)	(109,272)
Community Services	0	4,020	0	(4,020)
Extracurricular Activities	313,214	299,164	(191,024)	(195,068)
Interest and Fiscal Charges	141,105	117,025	(141,105)	(117,025)
<b>Total Expenses</b>	<b>\$ 14,609,630</b>	<b>\$ 13,684,572</b>	<b>\$ (10,693,010)</b>	<b>\$ (10,997,363)</b>

Instruction and student support services comprise 70 percent of governmental program expenses. Other support services such as board of education, administration, fiscal and central were 9 percent of governmental program expenses. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the District. Interest and fiscal charges were 1 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 14 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations and community services, comprises 4 percent of governmental program expenses. Extracurricular activities comprise 2 percent of total expenses.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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***The District's Funds***

Information about the District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues including other financing sources of \$13,756,905 and expenditures including other financing uses of \$14,227,930. The net decrease in governmental fund balance for the year totaled \$471,025.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the District did not significantly modify its general fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the General Fund, final budget basis revenue, including other financing sources, were \$130,000 higher than the original budget estimates of \$11,218,035.

Final appropriations, including other financing uses, were \$130,000 higher than the original budget estimates of \$12,044,342.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal year 2008, the District had \$12,772,473 invested in land, buildings and improvements, furniture and equipment, and vehicles. See note 8 for additional details. Table 4 shows fiscal year 2008 balances compared with 2007.

**(Table 4)**  
**Capital Assets at June 30**  
**Governmental Activities**

	2008	2007
Land	\$ 1,842,760	\$ 1,842,760
Buildings and Improvements	10,571,353	11,100,949
Furniture and Equipment	47,218	61,383
Vehicles	311,142	289,849
Totals	\$ 12,772,473	\$ 13,294,941

All capital assets, except land, are reported net of depreciation. The \$522,468 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

**Union Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2008, this amounted to \$193,948 for each set aside. The District did not have enough qualifying disbursements or offsets to exceed the requirements for the capital improvement or the textbook and materials set aside. The District is required to establish a fund balance reserve for the portion of the set asides that were not spent in fiscal year 2008. More detailed information is presented in Note 17 of the notes to the basic financial statements.

***Debt***

At June 30, 2008, the District had \$2,449,995 in bonds outstanding with \$175,000 due within one year. See note 13 for additional details. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2008	Governmental Activities 2007
1997 General Obligation Bonds	\$ 875,000	\$ 1,010,000
2007 School Improvement Refunding Bonds	1,310,000	1,365,000
2007 School Improvement Capital Appreciation Bonds	264,995	264,995
Total	\$ 2,449,995	\$ 2,639,995

***Current Issues***

The District is currently financially stable. As the preceding information shows, the District relies heavily on state funding as well as its local property taxpayers. The District has not passed an operating levy since 1976 and our permanent improvement levy has not been successful at renewal for several years.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shawn Miller, Treasurer/CFO at Union Local School District, P.O. Box 300, Morristown, Ohio 43759.

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**Union Local School District**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,699,738
Receivables:	
Taxes	2,549,516
Accounts	10,136
Intergovernmental	10,282
Prepaid Items	11,637
Inventory Held For Resale	14,075
Materials and Supplies Inventory	42,833
Deferred Charges	56,782
Nondepreciable Capital Assets	1,842,760
Depreciable Capital Assets, Net	<u>10,929,713</u>
<i>Total Assets</i>	<u>17,167,472</u>
<b>Liabilities</b>	
Accounts Payable	51,826
Accrued Wages and Benefits	1,050,528
Matured Compensated Absences Payable	36,079
Intergovernmental Payable	430,287
Deferred Revenue	2,173,507
Accrued Interest Payable	8,755
Long Term Liabilities:	
Due Within One Year	245,180
Due in More Than One Year	<u>3,464,088</u>
<i>Total Liabilities</i>	<u>7,460,250</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	10,271,094
Restricted for:	
Capital Projects	270,775
Debt Service	736,914
Other Purposes	80,365
Set-Asides	84,489
Unrestricted	<u>(1,736,415)</u>
<i>Total Net Assets</i>	<u>\$ 9,707,222</u>

See accompanying notes to the basic financial statements.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 6,653,406	\$ 577,922	\$ 456,416	\$ 0	\$ (5,619,068)
Special	1,789,282	30,721	1,804,740	0	46,179
Vocational	314,776	0	123,081	0	(191,695)
Other	280,674	0	42,576	0	(238,098)
Support Services:					
Pupils	636,239	0	157,356	0	(478,883)
Instructional Staff	558,886	0	36,699	0	(522,187)
Board of Education	114,517	0	0	0	(114,517)
Administration	889,973	0	0	0	(889,973)
Fiscal	287,233	0	0	0	(287,233)
Operation and Maintenance of Plant	1,308,487	0	9,000	0	(1,299,487)
Pupil Transportation	748,103	23,555	34,968	12,003	(677,577)
Central	18,834	0	5,015	0	(13,819)
Operation of Non-instructional Services:					
Food Service Operations	554,901	138,800	341,578	0	(74,523)
Extracurricular Activities	313,214	99,548	22,642	0	(191,024)
Interest and Fiscal Charges	141,105	0	0	0	(141,105)
<i>Total Governmental Activities</i>	<u>\$ 14,609,630</u>	<u>\$ 870,546</u>	<u>\$ 3,034,071</u>	<u>\$ 12,003</u>	<u>(10,693,010)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					2,316,172
Debt Service					261,499
Capital Outlay					42,999
Grants and Entitlements Not Restricted to Specific Programs					6,753,687
Investment Earnings					70,428
Miscellaneous					77,910
<i>Total General Revenues</i>					<u>9,522,695</u>
<i>Change in Net Assets</i>					(1,170,315)
<i>Net Assets Beginning of Year</i>					<u>10,877,537</u>
<i>Net Assets End of Year</i>					<u>\$ 9,707,222</u>

See accompanying notes to the basic financial statements.



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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 423,360	\$ 691,105	\$ 500,784	\$ 1,615,249
Restricted Cash and Cash Equivalents	84,489	0	0	84,489
Receivables:				
Taxes	2,247,955	265,187	36,374	2,549,516
Accounts	10,091	0	45	10,136
Intergovernmental	0	0	10,282	10,282
Prepaid Items	11,637	0	0	11,637
Inventory Held For Resale	0	0	14,075	14,075
Materials and Supplies Inventory	42,833	0	0	42,833
<i>Total Assets</i>	<u>\$ 2,820,365</u>	<u>\$ 956,292</u>	<u>\$ 561,560</u>	<u>\$ 4,338,217</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 45,172	\$ 0	\$ 6,654	\$ 51,826
Accrued Wages and Benefits	960,254	0	90,274	1,050,528
Matured Compensated Absences Payable	36,079	0	0	36,079
Intergovernmental Payable	394,610	0	35,677	430,287
Deferred Revenue	1,929,884	231,600	41,479	2,202,963
<i>Total Liabilities</i>	<u>3,365,999</u>	<u>231,600</u>	<u>174,084</u>	<u>3,771,683</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	43,553	0	10,632	54,185
Reserved for Property Taxes	318,071	33,587	5,177	356,835
Reserved for Textbooks	41,758	0	0	41,758
Reserved for Capital Acquisition	42,731	0	0	42,731
Unreserved, Undesignated, Reported in:				
General Fund	(991,747)	0	0	(991,747)
Special Revenue Funds	0	0	85,352	85,352
Debt Service Fund	0	691,105	0	691,105
Capital Projects Funds	0	0	286,315	286,315
<i>Total Fund Balances (Deficit)</i>	<u>(545,634)</u>	<u>724,692</u>	<u>387,476</u>	<u>566,534</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,820,365</u>	<u>\$ 956,292</u>	<u>\$ 561,560</u>	<u>\$ 4,338,217</u>

See accompanying notes to the basic financial statements.

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

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<b>Total Governmental Fund Balances</b>		\$ 566,534
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,772,473
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants		\$ 10,282	
Delinquent Property Taxes		19,174	

Total			29,456
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In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		56,782
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In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.		(8,755)
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Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		(2,185,000)	
Capital Appreciation Bonds		(293,100)	
Unamortized Bond Premium		(138,037)	
Refunding Loss		81,250	
Compensated Absences		(1,123,001)	
Capital Leases Payable		(51,380)	

Total			(3,709,268)
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<i>Net Assets of Governmental Activities</i>		\$ 9,707,222
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See accompanying notes to the basic financial statements.

**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	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 2,507,108	\$ 285,583	\$ 46,203	\$ 2,838,894
Intergovernmental	8,209,736	40,441	1,532,639	9,782,816
Investment Income	62,475	0	7,953	70,428
Tuition and Fees	600,411	0	0	600,411
Extracurricular Activities	0	0	123,103	123,103
Rentals	7,198	0	0	7,198
Charges for Services	1,034	0	138,800	139,834
Contributions and Donations	13,369	0	28,142	41,511
Miscellaneous	66,564	0	11,346	77,910
<i>Total Revenues</i>	<u>11,467,895</u>	<u>326,024</u>	<u>1,888,186</u>	<u>13,682,105</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,743,019	0	511,557	6,254,576
Special	1,372,766	0	358,787	1,731,553
Vocational	273,257	0	1,968	275,225
Other	173,309	0	87,813	261,122
Support Services:				
Pupils	410,932	0	157,983	568,915
Instructional Staff	501,121	0	37,561	538,682
Board of Education	114,517	0	0	114,517
Administration	812,062	0	59,267	871,329
Fiscal	284,453	7,363	1,184	293,000
Operation and Maintenance of Plant	1,162,102	0	35,818	1,197,920
Pupil Transportation	740,831	0	30,542	771,373
Central	14,921	0	3,913	18,834
Operation of Non-Instructional Services:				
Food Service Operations	8,104	0	519,736	527,840
Extracurricular Activities	181,728	0	124,053	305,781
Capital Outlay	44,975	0	57,844	102,819
Debt Service:				
Principal Retirement	11,557	190,000	0	201,557
Interest and Fiscal Charges	4,251	113,836	0	118,087
<i>Total Expenditures</i>	<u>11,853,905</u>	<u>311,199</u>	<u>1,988,026</u>	<u>14,153,130</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>(386,010)</u>	<u>14,825</u>	<u>(99,840)</u>	<u>(471,025)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	74,800	74,800
Transfers Out	(74,800)	0	0	(74,800)
<i>Total Financing Sources</i>	<u>(74,800)</u>	<u>0</u>	<u>74,800</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(460,810)	14,825	(25,040)	(471,025)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(84,824)</u>	<u>709,867</u>	<u>412,516</u>	<u>1,037,559</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (545,634)</u>	<u>\$ 724,692</u>	<u>\$ 387,476</u>	<u>\$ 566,534</u>

See accompanying notes to the basic financial statements.

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

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**Net Change in Fund Balances - Total Governmental Funds** \$ (471,025)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in 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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 72,970	
Current Year Depreciation	<u>(595,438)</u>	
Total		(522,468)

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

Grants	(24,566)	
Delinquent Property Taxes	<u>(218,224)</u>	
Total		(242,790)

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

Bond Principal	190,000	
Capital Lease Principal	<u>11,557</u>	
Total		201,557

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

1,463

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(112,571)	
Bond Premium	(12,742)	
Bond Issuance Costs	5,242	
Bond Accretion	(24,481)	
Loss on Refunding	<u>7,500</u>	
Total		<u>(137,052)</u>

*Change in Net Assets of Governmental Activities* \$ (1,170,315)

See accompanying notes to the basic financial statements.

**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*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,385,819	\$ 35,819
Intergovernmental	8,118,500	8,220,279	8,209,736	(10,543)
Investment Income	85,000	85,000	62,475	(22,525)
Tuition and Fees	599,475	614,600	600,298	(14,302)
Rentals	8,000	8,000	6,853	(1,147)
Charges for Services	500	500	1,034	534
Contributions and Donations	0	0	13,369	13,369
Miscellaneous	12,400	25,496	19,080	(6,416)
<i>Total Revenues</i>	<u>11,173,875</u>	<u>11,303,875</u>	<u>11,298,664</u>	<u>(5,211)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,810,865	5,817,139	5,722,389	94,750
Special	1,349,098	1,391,660	1,328,557	63,103
Vocational	274,028	286,368	269,856	16,512
Other	155,362	153,643	152,996	647
Support Services:				
Pupils	436,144	462,840	429,503	33,337
Instructional Staff	510,067	508,125	502,301	5,824
Board of Education	129,393	131,112	127,423	3,689
Administration	809,285	809,356	796,963	12,393
Fiscal	284,100	284,216	279,774	4,442
Operation and Maintenance of Plant	1,179,962	1,206,682	1,161,996	44,686
Pupil Transportation	748,722	753,244	737,322	15,922
Central	15,152	16,500	14,921	1,579
Operation of Non-Instructional Services:				
Community Services	8,229	8,800	8,104	696
Extracurricular Activities	213,265	223,407	210,018	13,389
Capital Outlay	45,670	46,250	44,975	1,275
<i>Total Expenditures</i>	<u>11,969,342</u>	<u>12,099,342</u>	<u>11,787,098</u>	<u>312,244</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(795,467)</u>	<u>(795,467)</u>	<u>(488,434)</u>	<u>307,033</u>
<b>Other Financing Sources</b>				
Insurance Recoveries	0	0	4,659	4,659
Proceeds from Sale of Capital Assets	0	0	17,758	17,758
Refund of Prior Year Expenditures	15,000	15,000	21,360	6,360
Advances In	29,160	29,160	29,160	0
Transfers Out	(75,000)	(75,000)	(74,800)	200
<i>Total Other Financing Sources</i>	<u>(30,840)</u>	<u>(30,840)</u>	<u>(1,863)</u>	<u>28,977</u>
<i>Net Change in Fund Balance</i>	(826,307)	(826,307)	(490,297)	336,010
<i>Fund Balance Beginning of Year</i>	885,701	885,701	885,701	0
Prior Year Encumbrances Appropriated	44,333	44,333	44,333	0
<i>Fund Balance End of Year</i>	<u>\$ 103,727</u>	<u>\$ 103,727</u>	<u>\$ 439,737</u>	<u>\$ 336,010</u>

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 10,997	\$ 48,572
<b>Liabilities</b>		
Accounts Payable	0	\$ 2,611
Due to Students	0	45,961
Total Liabilities	0	\$ 48,572
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 10,997	

See accompanying notes to the basic financial statements.

**Union Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2008*

	Private Purpose Trust Scholarship
<b>Additions</b>	
Gifts and Contributions	\$ 10,886
<b>Deductions</b>	
Scholarships Awarded	11,000
<i>Change in Net Assets</i>	(114)
<i>Net Assets Beginning of Year</i>	11,111
<i>Net Assets End of Year</i>	\$ 10,997

See accompanying notes to the basic financial statements.

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

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

The Union Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership on, or as of October 1, 2007, was 1,446. The District employs 123 certificated and 62 non-certificated employees.

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

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

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

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

The District is involved with the Belmont-Harrison Vocational School, the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, the Ohio School Boards Association Workers’ Compensation Group Rating Plan and the Ohio School Plan, which are defined as jointly governed organizations and insurance purchasing pools. Additional information concerning these organizations is presented in Notes 15 and 16 to the basic financial statements.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applied 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 District's accounting policies.

**A. Basis of Presentation**

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

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limitations. 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 District.

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

**B. Fund Accounting**

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2: Summary of Significant Accounting Policies (Continued)**

***B. Fund Accounting (Continued)***

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

***General Fund*** - The General Fund is the operating fund of the District and is used to account for financial resources except those required to be accounted for in another fund.

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

The other governmental funds of the 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 District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund accounts for student activities.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in the total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2: Summary of Significant Accounting Policies (Continued)**

***C. Measurement Focus (Continued)***

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

***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 and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the 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 Non-Exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been 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 have also been reported as deferred revenue.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2: Summary of Significant Accounting Policies (Continued)**

***D. Basis of Accounting (Continued)***

***Expenses/Expenditures*** On the accrual basis of accounting, 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 Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statement reflects the amounts in the certificate when the original and final appropriations were adopted.

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

***F. Cash and Cash Equivalents***

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

During fiscal year 2008, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$62,475 which includes \$40,088 assigned from other District funds.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2: Summary of Significant Accounting Policies (Continued)**

***F. Cash and Cash Equivalents (Continued)***

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

***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set aside for the purchase of textbooks and other instructional materials and capital acquisitions.

***H. 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 the purchase and an expenditure/expense is reported in the year in which services are consumed.

***I. Inventory***

Inventories are reported at cost on a first-in, first-out basis and are expensed when used.

Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

***J. Deferred Charges***

On the governmental fund statements, bond issuance costs are recorded as expenditures when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

***K. Capital Assets***

The only capital assets of the District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of five thousand dollars for all assets. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 2: Summary of Significant Accounting Policies (Continued)**

***K. Capital Assets (Continued)***

All reported capital assets except land 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	Estimated Lives
Buildings and Building Improvements	30 Years
Furniture and Equipment	10-20 Years
Vehicles	5-10 Years

***L. 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 that the District will compensate the employees for the benefits through paid time off or some other means.

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 that the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wages at fiscal year end taking into consideration any limits specified in the District's termination policy.

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

On the governmental fund 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 funds from which the employee will be paid.

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

All payables, accrued liabilities, and long-term obligations are reported in 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 will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The unmatured portion of these obligations should be reported as general long-term liabilities segregated between amounts due within one year and amounts due in more than one year. Long-term bonds and capital leases are recognized as a liability on the governmental fund financial statements when due or when resources are available. The unmatured portion of these obligations should also be reported as general long-term liabilities segregated between amounts due in one year and amounts due in more than one year.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2: Summary of Significant Accounting Policies (Continued)**

***N. 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 balances of any borrowings 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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Fund Balance Reserves***

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, capital acquisition, property taxes, and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

***Q. 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.

***R. Changes in Accounting Principles***

For the year ended 2008, the District has implemented 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", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27."



**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2: Summary of Significant Accounting Policies (Continued)**

**R. Changes in Accounting Principles (Continued)**

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, *“Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”*, and GASB Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers”*, to conform with requirements of GASB Statement No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, and GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the District.

**Note 3: Fund Deficits**

Fund balances at June 30, 2008, included the following individual fund deficits:

	Deficit
General Fund	\$ 545,634
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	28,321
Poverty Aid	29,470
Title VI-B	5,476
Title I	3,813
Class Size Reduction Grant	9,714
Early Childhood Education	845

The deficit in the General Fund was created by the lack of unrestricted available resources to cover operations in the fund as well as the application of generally accepted accounting principles. The District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 3: Fund Deficits (Continued)**

The nonmajor Special Revenue Funds' deficit fund balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, rather than when accruals occur.

**Note 4: Budgetary Basis of Accounting**

While the District is reporting financial position, results of operations, and changes in fund balance 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, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 4) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the General Fund.

**Net Change in Fund Balance**

GAAP Basis	\$ (460,810)
Net Adjustment for Revenue Accruals	(125,454)
Advances In	29,160
Net Adjustment for Expenditure Accruals	134,919
Adjustment for Encumbrances	<u>(68,112)</u>
Budget Basis	<u><u>\$ (490,297)</u></u>

**Note 5: Cash and Cash Equivalents**

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

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 5: Cash and Cash Equivalents (Continued)**

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

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

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

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 5: Cash and Cash Equivalents (Continued)**

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value uninsured of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2008, the District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At fiscal year-end, the carrying amount of the District's deposits was \$1,759,307. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$1,696,738 of the District's bank balance of \$1,896,738 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation.

**Note 6: Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 6: Property Taxes (Continued)**

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. For 2007, tangible personal property was assessed at 12.5 percent for property including inventory. This percentage will be decreased to 6.25 percent for 2008 and zero in 2009. Payments 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 semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Belmont and Harrison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County 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 includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported 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.

At June 30, 2008, \$318,071 was available as an advance to the General Fund, \$33,587 to the Debt Service Fund and \$5,177 to the Classroom Facilities Fund. At June 30, 2007, \$196,782 was available as an advance to the General Fund, \$24,701 to the Debt Service Fund and \$3,293 to the Classroom Facilities Fund.

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 6: Property Taxes (Continued)**

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

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 113,582,520	89.89%	\$ 116,885,320	92.14%
Tangible Personal Property	5,064,870	4.01%	3,402,721	2.68%
Personal Public Utility	7,711,530	6.10%	6,574,980	5.18%
 Total Assessed Value	 <u>\$ 126,358,920</u>	 <u>100%</u>	 <u>\$ 126,863,021</u>	 <u>100%</u>
 Tax rate per \$1000 of assessed value	 <u>\$ 31.90</u>		 <u>\$ 31.50</u>	

**Note 7: Receivables**

Receivables at June 30, 2008 consisted of taxes, accounts and intergovernmental grants. 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 are expected to be received within one year.

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**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 8: Capital Assets**

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land and Improvements	\$ 1,842,760	\$ 0	\$ 0	\$ 1,842,760
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	17,613,019	0	0	17,613,019
Furniture and Equipment	70,826	0	0	70,826
Vehicles	1,185,972	72,970	0	1,258,942
<i>Total Capital Assets, Being Depreciated</i>	18,869,817	72,970	0	18,942,787
Less Accumulated Depreciation:				
Buildings and Improvements	(6,512,070)	(529,596)	0	(7,041,666)
Furniture and Equipment	(9,443)	(14,165)	0	(23,608)
Vehicles	(896,123)	(51,677)	0	(947,800)
<i>Total Accumulated Depreciation</i>	(7,417,636)	(595,438) *	0	(8,013,074)
<i>Total Capital Assets Being Depreciated, Net</i>	11,452,181	(522,468)	0	10,929,713
<i>Governmental Activities Capital Assets, Net</i>	\$ 13,294,941	\$ (522,468)	\$ 0	\$ 12,772,473

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 367,703
Special	65,181
Vocational	16,295
Support Services:	
Pupils	8,148
Instructional Staff	16,295
Administration	21,253
Pupil Transportation	51,677
Operation of Non-Instructional Services:	
Food Service Operations	32,591
Extracurricular Activities	16,295
<b>Total Depreciation Expense</b>	<b>\$ 595,438</b>

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 9: Risk Management**

***A. General Insurance***

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003, the District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based upon the types of coverage, limits of coverage, and deductibles that it selects. The District contracted with the Ohio School Plan for liability insurance. The policy has a liability per occurrence limit ranging from \$10,000 to \$1,000,000 and a \$3,000,000 aggregate annual limit.

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

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

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

***B. Workers' Compensation***

The District pays the State Workers' Compensation System, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District participates in the Ohio School Boards Association Group Workers' Compensation Group Rating System (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Note 10: Pension Plans**

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

The District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code.



**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 10: Pension Plans (Continued)**

***A. School Employees Retirement System (Continued)***

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the 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, up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$104,766, \$207,384 and \$182,664, respectively; 30.55 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

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

The District participates in 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 publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 10: Pension Plans (Continued)**

***B. State Teachers Retirement System (Continued)***

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$834,582, \$827,004 and \$769,212, respectively; 67.78 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$12,703 made by the District and \$13,455 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 11 - Postemployment Benefits**

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

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 11 - Postemployment Benefits (Continued)**

***A. School Employees Retirement System (Continued)***

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 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 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$69,277, \$70,838, and \$62,862 respectively; 30.55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal year ended June 30, 2008 was \$7,549, 30.55 percent has been contributed for fiscal year 2008. 100 percent has been contributed for fiscal years 2007 and 2006.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$64,199, \$59,072, and \$56,792 respectively; 67.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 12 – Other Employee Benefits**

**A. Compensated Absences**

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

**B. Health/Life Insurance**

The District contracts with Anthem Blue Cross Blue Shield for hospitalization, prescription and major medical insurance for all employees. The District pays monthly premiums of up to \$1,257.18 for family coverage and up to \$474.55 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The District contract with Vision Services Plan of Ohio to provide vision insurance for employees. The District also provides dental insurance to employees through Coresource. Life insurance is procured for all eligible employees with Genworth Life in the amount of \$40,000 paid by the District.

**Note 13: General Long-Term Obligations**

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

	Outstanding 6/30/2007	Additions	Reductions	Outstanding 6/30/2008	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds - 1997	\$ 1,010,000	\$ 0	\$ (135,000)	\$ 875,000	\$ 145,000
School Improvement Refunding Bonds - 2007					
Serial and Term Bonds	1,365,000	0	(55,000)	1,310,000	30,000
Capital Appreciation Bonds	264,995	0	0	264,995	0
Accretion on Capital Appreciation Bonds	3,624	24,481	0	28,105	0
Unamortized Premium	150,779	0	(12,742)	138,037	0
Refunding Loss	(88,750)	0	7,500	(81,250)	0
Capital Leases	62,937	0	(11,557)	51,380	13,614
Compensated Absences	1,010,430	189,260	(76,689)	1,123,001	56,566
	<u>\$ 3,779,015</u>	<u>\$ 213,741</u>	<u>\$ (283,488)</u>	<u>\$ 3,709,268</u>	<u>\$ 245,180</u>
Long-Term Liabilities					

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 13: General Long-Term Obligations (Continued)**

Compensated absences will be paid from the General, Food Service and Poverty Aid Funds.

***General Obligation Bonds***

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

***2007 School Improvement Refunding General Obligation Bonds***

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

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

The bonds were issued with a premium of \$152,903, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2008 was \$12,742. The issuance costs of \$62,898 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$5,242.

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

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 13: General Long-Term Obligations (Continued)**

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2009	\$ 30,000
2010	30,000
2011	35,000
2012	35,000

Unless otherwise called for redemption, the remaining \$35,000 principal amount of bonds due December 1, 2012 is to be paid at stated maturity.

The capital appreciation bonds will mature December 1, 2017 and 2018. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$650,000. The fiscal year 2008 accretion amount is \$24,481.

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

	<u>General Obligation Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 175,000	\$ 99,962	\$ 0	\$ 0	\$ 175,000	\$ 99,962
2010	190,000	89,506	0	0	190,000	89,506
2011	210,000	78,236	0	0	210,000	78,236
2012	225,000	65,973	0	0	225,000	65,973
2013	240,000	52,709	0	0	240,000	52,709
2014-2019	<u>1,145,000</u>	<u>94,900</u>	<u>264,995</u>	<u>385,005</u>	<u>1,409,995</u>	<u>479,905</u>
	<u>\$ 2,185,000</u>	<u>\$ 481,286</u>	<u>\$ 264,995</u>	<u>\$ 385,005</u>	<u>\$ 2,449,995</u>	<u>\$ 866,291</u>

**Note 14: Capitalized Leases**

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

The copiers acquired by the leases have been capitalized in the governmental capital assets in the amount of \$70,826. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 14: Capitalized Leases (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008:

		Copiers
Year ending June 30,	2009	\$ 17,244
	2010	17,244
	2011	17,244
	2012	5,748
		57,480
Less amount representing interest		(6,100)
Present value of minimum lease payments		\$ 51,380

**Note 15: Jointly Governed Organizations**

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting Ohio Mid-Eastern Regional Educational Service Agency, Karen Blake, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$39,075 for services provided during fiscal year 2008.

**B. Belmont-Harrison Vocational School**

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2008, the District made no contributions to the Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 15: Jointly Governed Organizations (Continued)**

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2008, the District paid \$300 to the Coalition.

***D. Ohio Coalition of Equity and Adequacy of School Funding***

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of .05 per pupil. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2008, the District paid \$736 to the Coalition.

**Note 16: Insurance Purchasing Pools**

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

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



**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 16: Insurance Purchasing Pools (Continued)**

***B. Ohio School Plan***

The District participates in the Ohio School Plan (OSP). The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Note 17: Set-Aside Calculations**

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

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

	Textbooks	Capital Improvements
Set-aside Reserved Balance as of June 30, 2007	\$ 35,887	\$ 0
Current Year Set-Aside Requirement	193,948	193,948
Current Year Offsets	0	(44,319)
Qualifying Disbursements	(188,077)	(106,898)
Totals	\$ 41,758	\$ 42,731
Set-aside Balance Carried Forward to Future Fiscal Years	\$ 41,758	\$ 42,731
Set-aside Reserve Balance as of June 30, 2008	\$ 41,758	\$ 42,731

The District did not have qualifying disbursements during the fiscal year that reduced either set-aside amount below zero, and is required to establish fund balance reserves.

**Union Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 18: Interfund Transfers**

During fiscal year 2008, the General Fund transferred \$74,800 to the Food Service Fund to provide additional resources for current operations.

**Note 19: Contingencies**

***A. Grants***

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

***B. Litigation***

The District is not party to any claims or lawsuits that would have a material effect, if any, on the financial condition of the District.

**Note 20: Subsequent Event**

During fiscal year 2009, the District entered into a loan agreement with OASBO Borrowing Pool for \$250,000 to purchase property adjacent to the District's main campus on State Route 149. The District anticipates reselling the property during fiscal year 2009.

UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed-Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	046011-05PU-07	10.553	\$11,711		\$11,711	
	046011-05PU-08		<u>72,782</u>		<u>72,782</u>	
Total School Breakfast Program			<u>84,493</u>	\$0	<u>84,493</u>	\$0
National School Lunch Program	046011-LLP4-07	10.555	17,604		17,604	
Food Donation	046011-LLP4-08		179,302		179,302	
	N/A			<u>20,983</u>		<u>20,983</u>
Total National School Lunch Program			<u>196,906</u>	<u>20,983</u>	<u>196,906</u>	<u>20,983</u>
Total Nutrition Cluster			281,399	20,983	281,399	20,983
Team Nutrition Grant	046011-07/08	10.574	<u>2,500</u>		<u>2,411</u>	
Total U.S. Department of Agriculture			283,899	20,983	283,810	20,983
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed-Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	046011-C1S1-07	84.010			6,614	
	046011-C1S1-08		256,074		256,074	
	046011-C1SD-07				442	
	046011-C1SD-08		<u>41,130</u>		<u>39,038</u>	
Total Title I Grants to Local Educational Agencies			<u>297,204</u>	0	<u>302,168</u>	0
Special Education Cluster:						
Special Education - Grants to States	046011-6BSF-06	84.027			290	
	046011-6BSF-07		6,141		38,712	
	046011-6BSF-08		<u>347,670</u>		<u>331,181</u>	
Total Special Education - Grants to States			<u>353,811</u>	0	<u>370,183</u>	0
Special Education - Preschool Grants	046011--08	84.173	<u>6,747</u>		<u>5,106</u>	
Total Special Education Cluster			<u>360,558</u>	0	<u>375,289</u>	0
Safe and Drug-Free Schools and Communities, State Grants	046011-DRS1-08	84.186	6,521		5,772	
Innovative Education Program Strategies	046011-C2S1-07	84.298	1,581		1,597	
	046011-C2S1-08		<u>3,636</u>		<u>3,424</u>	
Total Innovative Education Program Strategies			<u>5,217</u>	0	<u>5,021</u>	0
Education Technology State Grants	046011-TJS1-07	84.318			741	
	046011-TJS1-08		<u>1,126</u>		<u>1,035</u>	
Total Education Technology State Grants			<u>1,126</u>	0	<u>1,776</u>	0
Improving Teacher Quality State Grants	046011-TRS1-07	84.367			23	
	046011-TRS1-08		<u>94,646</u>		<u>94,646</u>	
Total Improving Teach Quality State Grants			<u>94,646</u>	0	<u>94,669</u>	0
Total U.S. Department of Education			765,272	0	784,695	0
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	<u>52,004</u>			
Total U.S. Department of Job and Family Services			<u>52,004</u>	0	<u>0</u>	<u>0</u>
<b>Total</b>			<b><u>\$1,101,175</u></b>	<b><u>\$20,983</u></b>	<b><u>\$1,068,505</u></b>	<b><u>\$20,983</u></b>

The accompanying notes are an integral part of this Schedule.

**UNION LOCAL SCHOOL DISTRICT  
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE 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 School 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 School 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 fair market value of the commodities received.



# 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*

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759-0300

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 Union Local School District, Belmont 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 February 27, 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 basic 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 or 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 February 27, 2009.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's basic 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 we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 27, 2009.

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. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

February 27, 2009



# Mary Taylor, CPA

## Auditor of State

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

Union Local School District  
Belmont County  
P.O. Box 300  
Morristown, Ohio 43759-0300

To the Board of Education:

#### Compliance

We have audited the compliance of the Union Local School District, Belmont County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that 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 School 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 District 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.

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Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 results in more than a remote likelihood that the School 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 of this section 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, the Board of Education, federal awarding agencies, and pass through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 27, 2009



**UNION LOCAL SCHOOL DISTRICT  
BELMONT 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 weakness conditions 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 weakness 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>	Title I, Grants to Local Educational Agencies - CFDA #84.010
<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 FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**UNION LOCAL SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 24, 2009**