



Dave Yost • Auditor of State

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Union Local School District, Union County, Ohio, as of June 30, 2013, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

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

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of North Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2013 are as follows:

In total, net position decreased \$787,256, or 6 percent, and primarily due to cash carryover spending and the return of unused construction resources to the Ohio School Facilities Commission.

General revenues were \$13,944,878, or 82 percent of total revenues, and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

Using the Basic Financial Statements

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

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 and fiscal year 2012:

Table 1
Net Position

	Governmental Activities		
	2013	2012	Change
<u>Assets:</u>			
Assets	\$11,437,699	\$12,224,955	(\$787,256)
 <u>Net Position:</u>			
Restricted	1,678,278	1,893,264	(214,986)
Unrestricted	9,759,421	10,331,691	(572,270)
Total Net Position	\$11,437,699	\$12,224,955	(\$787,256)

The overall change in net position was 6 percent. This decrease can be attributed to cash carryover and the return of unused construction resources for the high school and middle school to the Ohio School Facilities Commission.

Table 2 reflects the changes in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Changes in Net Position

	Governmental Activities		
	2013	2012	Change
<u>Receipts:</u>			
<u>Program Receipts</u>			
Charges for Services	\$1,455,048	\$1,253,515	\$201,533
Operating Grants, Contributions, and Interest	1,708,790	1,889,329	(180,539)
Total Program Receipts	3,163,838	3,142,844	20,994
<u>General Receipts</u>			
Property Taxes Levied for General Purposes	3,872,507	3,973,509	(101,002)
Property Taxes Levied for Classroom Facilities Maintenance	60,481	61,242	(761)
Property Taxes Levied for Debt Service	722,830	733,005	(10,175)
Property Taxes Levied for Permanent Improvements	154,286	156,507	(2,221)
Income Taxes Levied for General Purposes	1,668,098	1,611,606	56,492
Grants and Entitlements	7,240,930	7,300,008	(59,078)
Interest	92,006	146,185	(54,179)
Gifts and Donations	28,825	6,206	22,619

(continued)

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Table 2
Changes in Net Position
(Continued)

	Governmental Activities		
	2013	2012	Change
<u>Receipts:</u> (continued)			
General Receipts (continued)			
Miscellaneous	\$103,415	\$146,364	(\$42,949)
Sale of Capital Assets	1,500	2,500	(1,000)
General Obligation Bonds Issued	0	8,595,000	(8,595,000)
Premium on Bonds Issued	0	304,816	(304,816)
Total General Receipts	<u>13,944,878</u>	<u>23,036,948</u>	<u>(9,092,070)</u>
Total Receipts	<u>17,108,716</u>	<u>26,179,792</u>	<u>(9,071,076)</u>
<u>Disbursements:</u>			
Instruction:			
Regular	6,660,857	6,914,869	254,012
Special	1,810,060	1,804,367	(5,693)
Vocational	877,164	799,758	(77,406)
Support Services:			
Pupils	768,883	729,916	(38,967)
Instructional Staff	913,796	983,485	69,689
Board of Education	31,470	24,685	(6,785)
Administration	1,031,841	1,075,750	43,909
Fiscal	545,250	489,333	(55,917)
Operation and Maintenance of Plant	1,983,088	2,173,520	190,432
Pupil Transportation	941,057	1,263,264	322,207
Central	8,066	15,143	7,077
Food Service	654,601	639,680	(14,921)
Extracurricular Activities	436,648	380,437	(56,211)
Capital Outlay	521,666	166,350	(355,316)
Debt Service:			
Principal Retirement	475,000	350,000	(125,000)
Interest and Fiscal Charges	236,525	630,703	394,178
Payment to Refunded Bond Escrow Agent	0	10,257,628	10,257,628
Total Disbursements	<u>17,895,972</u>	<u>28,698,888</u>	<u>10,802,916</u>
Decrease in Net Position	<u>(787,256)</u>	<u>(2,519,096)</u>	<u>1,731,840</u>
Net Position at Beginning of Year	<u>12,224,955</u>	<u>14,744,051</u>	<u>(2,519,096)</u>
Net Position at End of Year	<u>\$11,437,699</u>	<u>\$12,224,955</u>	<u>(\$787,256)</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The overall change in program receipts was not significant; however, the types of program revenues changed somewhat. Charges for services increased due to an increase in open enrollment and operating grants and contributions decreased due largely to the expiration of the Education Jobs grant program. There was a substantial decrease in general receipts due to the debt refunding transaction that occurred in fiscal year 2012.

The significant change in overall disbursements was also due to the debt refunding transaction that occurred in fiscal year 2012.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$6,660,857	\$6,914,869	\$5,552,603	\$5,726,403
Special	1,810,060	1,804,367	820,736	779,561
Vocational	877,164	799,758	745,277	667,871
Support Services:				
Pupils	768,883	729,916	768,883	729,916
Instructional Staff	913,796	983,485	913,796	983,485
Board of Education	31,470	24,685	31,470	24,685
Administration	1,031,841	1,075,750	1,031,841	1,075,750
Fiscal	545,250	489,333	526,138	489,333
Operation and Maintenance of Plant	1,983,088	2,173,520	1,983,088	2,173,520
Pupil Transportation	941,057	1,263,264	907,701	1,241,626
Central	8,066	15,143	2,666	9,743
Food Service	654,601	639,680	(49,417)	7,073
Extracurricular Activities	436,648	380,437	264,161	242,397
Capital Outlay	521,666	166,350	521,666	166,350
Debt Service:				
Principal Retirement	475,000	350,000	475,000	350,000
Interest and Fiscal Charges	236,525	630,703	236,525	630,703
Payment to Refunded Bond Escrow Agent	0	10,257,628	0	10,257,628
Total Disbursements	<u>\$17,895,972</u>	<u>\$28,698,888</u>	<u>\$14,732,134</u>	<u>\$25,556,044</u>

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Over 82 percent of the School District's programs were provided for through general receipts in fiscal year 2013. However, note there were a couple of programs which received substantial support through program receipts. Almost 55 percent of special instruction program costs were provided for through program receipts, generally grants restricted to special instruction programs. Program receipts provided for all of the food service program costs. These resources include cafeteria sales and state and federal grants and commodities for the food service operations. Over 39 percent of program fees cover the costs associated with the extracurricular activities program. Sources of revenue for these programs include music and athletic fees, ticket sales, and gate receipts.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund had a 5.5 percent decrease in fund balance from the prior fiscal year. Although both receipts and disbursements were comparable to the prior fiscal year, disbursements still exceeded receipts causing the School District to use part of the carry over balances.

The Bond Retirement Fund had a 53 percent increase in fund balance due to property tax revenues exceeding debt payment requirements.

General Fund Budgeting Highlights

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

For receipts, overall changes from the original budget to the final budget were not significant but increases in estimate were made for State provided resources and for tuition and fees. Changes from the final budget to the actual receipts were not significant. For disbursements, the changes from the original budget to the final budget were due to the School District budgeting conservatively. Changes from the final budget to actual disbursements were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$39,392,442 in capital assets for governmental activities. The School District is reflecting capital assets at cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2013, consisted of general obligation bonds, in the amount of \$8,780,738. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Current Issues

The Board of Education entered into a negotiated agreement in June 2011 that will be in effect until June 2014. Classified employees are receiving a per hour increase based on class of employee. Certified employees are receiving a base increase dependent on salary scale. The agreement included that all step increases be frozen in fiscal years 2013 and 2014. To assist in maintaining positive labor relations, the Board of Education and the North Union Education Association have continued to meet in a Labor Relations Committee to address concerns and find potential solutions. The School District will continue to monitor current settlements around the State and develop a negotiation strategy for the next round of negotiations that will be taking place in the spring of 2014. The process to "clean up" current contract language is currently being undertaken by the Labor Relations Committee.

In addition, the School District is constantly evaluating the political climate and success of school districts that attempt to receive additional tax levies. Currently, the School District is evaluating a renewal with a small increase to be placed on the May 2014 ballot. This has yet to be finalized. North Union Local School District is very thankful to be in our current financial situation. The School District can use the entire 2014 calendar year to pass this levy as a renewal.

The School District has transitioned to a new employee benefits consortium, the Stark County Council of Governments. This transition took place on September 1, 2012. The School District's prior insurance consortium disbanded. In addition, the School District qualified for two rate holidays during fiscal year 2014. These holidays will take place in December 2013 and January 2014. They will be true rate holidays for the employees and a minor cost (less than \$15,000) for the School District due to the way rate holidays are calculated by the Stark County Council of Governments.

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

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

Contacting the School District's Financial Management

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

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 11,421,215
Cash and Cash Equivalents with Fiscal Agent	16,484
Total Assets	<u>11,437,699</u>
<u>Net Position:</u>	
Restricted for:	
Capital Projects	567,318
Debt Service	423,221
Other Purposes	687,739
Unrestricted	9,759,421
Total Net Position	<u>\$ 11,437,699</u>

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 6,660,857	\$ 931,928	\$ 176,326	\$ (5,552,603)
Special	1,810,060	-	989,324	(820,736)
Vocational	877,164	-	131,887	(745,277)
Support Services:				
Pupils	768,883	-	-	(768,883)
Instructional Staff	913,796	-	-	(913,796)
Board of Education	31,470	-	-	(31,470)
Administration	1,031,841	-	-	(1,031,841)
Fiscal	545,250	19,112	-	(526,138)
Operation and Maintenance of Plant	1,983,088	-	-	(1,983,088)
Pupil Transportation	941,057	-	33,356	(907,701)
Central	8,066	-	5,400	(2,666)
Food Service	654,601	344,897	359,121	49,417
Extracurricular Activities	436,648	159,111	13,376	(264,161)
Capital Outlay	521,666	-	-	(521,666)
Debt Service:				
Principal Retirement	475,000	-	-	(475,000)
Interest and Fiscal Charges	236,525	-	-	(236,525)
Total Governmental Activities	<u>\$ 17,895,972</u>	<u>\$ 1,455,048</u>	<u>\$ 1,708,790</u>	<u>(14,732,134)</u>
<u>General Receipts:</u>				
Property Taxes Levied for:				
General Purposes				3,872,507
Classroom Facilities Maintenance				60,481
Debt Service				722,830
Permanent Improvements				154,286
Income Taxes Levied for General Purposes				1,668,098
Grants and Entitlements not Restricted to Specific Programs				7,240,930
Interest				92,006
Gifts and Donations				28,825
Miscellaneous				103,415
Sale of Capital Assets				1,500
Total General Receipts				<u>13,944,878</u>
Change in Net Position				(787,256)
Net Position at Beginning of Year				<u>12,224,955</u>
Net Position at End of Year				<u>\$ 11,437,699</u>

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 9,759,421	\$ 406,737	\$ 1,255,057	\$ 11,421,215
Cash and Cash Equivalents with Fiscal Agent	-	16,484	-	16,484
Total Assets	<u>\$ 9,759,421</u>	<u>\$ 423,221</u>	<u>\$ 1,255,057</u>	<u>\$ 11,437,699</u>
<u>Fund Balances:</u>				
Restricted	-	\$ 423,221	\$ 1,255,057	\$ 1,678,278
Assigned	805,161	-	-	805,161
Unassigned	8,954,260	-	-	8,954,260
Total Fund Balances	<u>\$ 9,759,421</u>	<u>\$ 423,221</u>	<u>\$ 1,255,057</u>	<u>\$ 11,437,699</u>

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$ 3,872,507	\$ 722,830	\$ 214,767	\$ 4,810,104
Income Taxes	1,668,098	-	-	1,668,098
Intergovernmental	7,562,072	262,363	1,111,594	8,936,029
Interest	90,316	-	2,005	92,321
Tuition and Fees	931,928	-	-	931,928
Extracurricular Activities	-	-	159,111	159,111
Charges for Services	19,112	-	344,897	364,009
Gifts and Donations	28,825	-	13,376	42,201
Miscellaneous	98,885	3,035	1,495	103,415
Total Receipts	14,271,743	988,228	1,847,245	17,107,216
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,534,445	-	126,412	6,660,857
Special	1,524,694	-	285,366	1,810,060
Vocational	877,164	-	-	877,164
Support Services:				
Pupils	726,091	-	42,792	768,883
Instructional Staff	693,035	-	220,761	913,796
Board of Education	31,470	-	-	31,470
Administration	1,029,802	1,573	466	1,031,841
Fiscal	527,665	13,558	4,027	545,250
Operation and Maintenance of Plant	1,771,181	-	211,907	1,983,088
Pupil Transportation	860,257	-	80,800	941,057
Central	2,666	-	5,400	8,066
Food Service	-	-	654,601	654,601
Extracurricular Activities	261,745	-	174,903	436,648
Capital Outlay	3,798	-	517,868	521,666
Debt Service:				
Principal Retirement	-	475,000	-	475,000
Interest and Fiscal Charges	-	236,525	-	236,525
Total Disbursements	14,844,013	726,656	2,325,303	17,895,972
Excess of Receipts Over (Under) Disbursements	(572,270)	261,572	(478,058)	(788,756)
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	-	-	1,500	1,500
Transfers In	-	-	131,757	131,757
Transfers Out	-	(115,244)	(16,513)	(131,757)
Total Other Financing Sources (Uses)	-	(115,244)	116,744	1,500
Changes in Fund Balances	(572,270)	146,328	(361,314)	(787,256)
Fund Balances at Beginning of Year	10,331,691	276,893	1,616,371	12,224,955
Fund Balances at End of Year	\$ 9,759,421	\$ 423,221	\$ 1,255,057	\$ 11,437,699

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property Taxes	\$ 3,936,496	\$ 3,872,507	\$ 3,872,507	\$ -
Income Taxes	1,532,930	1,642,258	1,668,098	25,840
Intergovernmental	7,229,600	7,575,269	7,562,072	(13,197)
Interest	73,905	86,806	90,404	3,598
Tuition and Fees	689,536	889,009	931,928	42,919
Charges for Services	19,112	19,112	19,112	-
Gifts and Donations	18,870	28,825	28,825	-
Miscellaneous	98,973	93,330	93,346	16
Total Receipts	13,599,422	14,207,116	14,266,292	59,176
<u>Disbursements:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	7,045,633	6,702,556	6,694,491	8,065
Special	1,670,818	1,604,889	1,568,705	36,184
Vocational	886,160	957,310	929,842	27,468
<u>Support Services:</u>				
Pupils	796,958	751,747	749,814	1,933
Instructional Staff	745,211	735,438	724,557	10,881
Board of Education	58,744	39,883	39,883	-
Administration	1,251,193	1,110,220	1,097,480	12,740
Fiscal	640,207	553,173	564,291	(11,118)
Operation and Maintenance of Plant	2,617,469	2,277,650	2,049,845	227,805
Pupil Transportation	1,018,995	897,001	896,273	728
Central	9,938	2,666	2,666	-
Extracurricular Activities	256,408	266,385	266,385	-
Capital Outlay	-	3,798	3,798	-
Total Disbursements	16,997,734	15,902,716	15,588,030	314,686
Excess of Receipts Under Disbursements	(3,398,312)	(1,695,600)	(1,321,738)	373,862
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	-	5,539	5,539	-
Changes in Fund Balance	(3,398,312)	(1,690,061)	(1,316,199)	373,862
Fund Balance at Beginning of Year	9,202,368	9,202,368	9,202,368	-
Prior Year Encumbrances Appropriated	1,129,235	1,129,235	1,129,235	-
Fund Balance at End of Year	\$ 6,933,291	\$ 8,641,542	\$ 9,015,404	\$ 373,862

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$199,386	\$81,335
<u>Net Position:</u>		
Held in Trust for Scholarships	\$123,459	\$0
Held for Student Activities	0	81,335
Endowment	75,927	0
Total Net Position	\$199,386	\$81,335

See Accompanying Notes to Basic Financial Statements

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Additions:</u>	
Interest	\$ 1,602
Gifts and Donations	11,092
Total Additions	<u>12,694</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>14,810</u>
Change in Net Position	(2,116)
Net Position at Beginning of Year	201,502
Net Position at End of Year	<u><u>\$ 199,386</u></u>

See Accompanying Notes to Basic Financial Statements

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**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1963. The School District serves an area of approximately one hundred sixty square miles and is located in Union and Delaware Counties. The School District is the 345th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-four classified employees, one hundred three certified teaching personnel, and eleven administrative employees who provide services to 1,515 students and other community members. The School District currently operates an elementary school, a middle school, a high school, an administration building, and a bus garage.

Reporting Entity

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

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

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Metropolitan Education Council, Tri-Rivers Joint Vocational School, Ohio School Plan, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Stark County Schools Council of Governments Health Benefit Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

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

E. Cash and Investments

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

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

During fiscal year 2013, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$90,316, which includes \$10,973 assigned from other School District funds.

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

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

F. Capital Assets

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

G. Compensated Absences

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Long-Term Obligations

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

I. Net Position

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

J. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fund Balance (continued)

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

K. Interfund Activity

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

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

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$744,017.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2013, the fair value of funds on deposit with STAR Ohio was \$1,006,513. The School District's investment in STAR Ohio had an average maturity of 57.5 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Union and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$153,704,700	91.26%	\$154,480,080	91.06%
Industrial/Commercial	6,434,870	3.82	6,195,700	3.65
Public Utility	8,292,830	4.92	8,982,290	5.29
Total Assessed Value	<u>\$168,432,400</u>	<u>100.00%</u>	<u>\$169,658,070</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.55		\$37.05	

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 7 - INCOME TAXES

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$288,011	\$0	\$0	\$288,011
Construction In Progress	387,120	132,782	(492,240)	27,662
Total Nondepreciable Capital Assets	<u>675,131</u>	<u>132,782</u>	<u>(492,240)</u>	<u>315,673</u>
Depreciable Capital Assets				
Land Improvements	936,656	0	0	936,656
Buildings and Building Improvements	34,908,663	492,240	0	35,400,903
Furniture, Fixtures, and Equipment	973,494	85,944	0	1,059,438
Vehicles	1,654,465	80,800	(55,493)	1,679,772
Total Depreciable Capital Assets	<u>38,473,278</u>	<u>658,984</u>	<u>(55,493)</u>	<u>39,076,769</u>
Governmental Activities Capital Assets	<u>\$39,148,409</u>	<u>\$791,766</u>	<u>(\$547,733)</u>	<u>\$39,392,442</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$5,000,000
Total per Year	7,000,000
Automobile Liability	5,000,000
Buildings and Contents - replacement cost	59,655,664

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 9 - RISK MANAGEMENT (continued)

For fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

NOTE 10 - CONTRACTUAL COMMITMENTS

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2013:

Vendor	Contract Amount	Amount Paid as of 6/30/13	Outstanding Balance
Area Energy and Electric, Inc.	\$263,385	\$0	\$263,385
Ohio Edison	375,000	284,648	90,352

At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in fiscal year 2014 are as follows:

General Fund	\$744,017
Other Governmental Funds	263,385
Total	\$1,007,402

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$790,307 and \$33,991 for the fiscal year ended June 30, 2013, \$802,104 and \$34,483 for the fiscal year ended June 30, 2012, and \$791,299 and \$32,236 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$10,863 made by the School District and \$7,759 made by the plan members. In addition, member contributions of \$24,280 were made for fiscal year 2013 for the defined contribution portion of the CP.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$268,608, \$256,216, and \$229,192, respectively. For fiscal year 2013, 55 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

A. State Teachers Retirement System (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$64,243, \$64,871, and \$63,757, respectively. For fiscal year 2013, 83 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$41,077 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$3,281, \$11,096, and \$27,751, respectively. For fiscal year 2013, 5 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$15,173, \$15,131, and \$14,749, respectively. For fiscal year 2013, 55 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

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

C. Separation Benefits

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
FY 2003 General Obligation Bonds					
Serial Bonds 3-4.75%	\$360,000	\$0	\$360,000	\$0	\$0
FY 2012 Refunding General Obligation Bonds					
Serial Bonds 1.5-3%	8,595,000	0	115,000	8,480,000	615,000
Bond Premium	304,816	0	4,078	300,738	0
Total General Obligation Bonds	\$9,259,813	\$0	\$479,078	\$8,780,738	\$615,000

FY 2003 General Obligation Bonds - On August 29, 2002, the School District issued general obligation bonds for constructing and renovating the School District's buildings. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$6,945,000, \$5,475,000, and \$579,989, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2031. During fiscal year 2012, a portion of the serial bonds and all of the term bonds were refunded, in the amounts of \$4,555,000 and \$5,475,000, respectively. The capital appreciation bonds were fully retired during fiscal year 2009. The remaining serial bonds were fully retired in fiscal year 2013. The bonds were being repaid from the Bond Retirement debt service fund.

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

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

The refunded bonds are fully retired.

The School District's overall debt margin was \$6,404,041 with an unvoted debt margin of \$160,676 at June 30, 2013.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2013, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Serial	Interest	Total
2014	\$615,000	\$218,825	\$833,825
2015	630,000	200,150	830,150
2016	650,000	180,950	830,950
2017	670,000	161,150	831,150
2018	690,000	145,925	835,925
2019-2023	2,195,000	563,688	2,758,688
2024-2028	2,490,000	263,862	2,753,862
2029	540,000	8,100	548,100
	\$8,480,000	\$1,742,650	\$10,222,650

NOTE 15 - FUND BALANCE

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$63,195	\$63,195
Debt Retirement	0	423,221	0	423,221
Food Service Operations	0	0	128,545	128,545
Permanent Improvements	0	0	567,318	567,318
Regular Instruction	0	0	2,375	2,375
School Facilities Maintenance	0	0	476,074	476,074
Special Instruction	0	0	17,550	17,550
Total Restricted	0	423,221	1,255,057	1,678,278
Assigned for:				
Extracurricular Activities	87,130	0	0	87,130
Unpaid Obligations	718,031	0	0	718,031
Total Assigned	805,161	0	0	805,161
Unassigned	8,954,260	0	0	8,954,260
Total Fund Balance	\$9,759,421	\$423,221	\$1,255,057	\$11,437,699

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 16 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

	<u>Capital Improvements</u>
Balance June 30, 2012	\$0
Current Year Set Aside Requirement	254,137
Current Year Offsets	<u>(254,137)</u>
Set Aside Reserve Balance June 30, 2013	<u>\$0</u>

NOTE 17 - INTERFUND TRANSFERS

During fiscal year 2013, the Bond Retirement debt service fund and other governmental funds made transfers to other governmental funds, in the amount of \$115,244 and \$16,513, respectively, to subsidize various programs in other funds.

NOTE 18 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$75,927, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$123,459 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Education Council

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

A. Metropolitan Education Council (continued)

The School District also participates in the Metropolitan Education Council (MEC) computer consortium. This is an association of public school districts within the boundaries of Franklin, Union, Madison, Pickaway, Fairfield, Jackson, Richland, Trumbull, and Mahoning Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of the MEC computer consortium consists of the superintendent, his designee, or a member of the board of education of each participating school district, one representative from each participating school district in Franklin County, and one representative from each county outside Franklin County. During fiscal year 2013, the School District paid \$42,127 to the MEC for various services. Financial information for both the purchasing cooperative and computer consortium can be obtained from the Metropolitan Education Council, 2100 Citygate Drive, Columbus, Ohio 43219.

B. Tri-Rivers Joint Vocational School

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

NOTE 20 - INSURANCE POOLS

A. Ohio School Plan

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

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

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

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

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 20 - INSURANCE POOLS (continued)

C. Stark County Schools Council of Governments Health Benefit Plan

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

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

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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

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NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 32,799	\$ 32,799
Cash Assistance:			
School Breakfast Program	10.553	52,730	52,730
National School Lunch Program	10.555	299,148	299,148
<i>Total Nutrition Cluster</i>		<u>384,677</u>	<u>384,677</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>384,677</u>	<u>384,677</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	245,321	238,696
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	248,394	241,235
Special Education Preschool Grants	84.173	4,406	4,406
<i>Total Special Education Cluster</i>		<u>252,800</u>	<u>245,641</u>
ARRA Race to the Top	84.395	55,318	64,406
Title II-A - Improving Teacher Quality	84.367	61,861	61,911
Education Jobs	84.410	59,147	61,695
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>674,447</u>	<u>672,349</u>
TOTALS FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,059,124</u>	<u>\$ 1,057,026</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Union Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the North Union Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the North Union Local School District, Union County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

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

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Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014

**NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.553, 10.555 – Child Nutrition Cluster CFDA #84.027, 84.173 – Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2014

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NORTH UNION LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2014**