



Dave Yost • Auditor of State

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) - General Fund	15
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Classroom Facilities Maintenance Fund	16
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets – Cash Basis – Private Purpose Trust.....	18
Notes to the Basic Financial Statements	19
Federal Awards Receipts and Expenditures Schedule.....	41
Notes to the Federal Awards Receipts and Expenditures Schedule	42
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings - OMB Circular A-133 § .505.....	47
Schedule of Prior Findings - OMB Circular A-133 § .315 (b).....	51
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	53

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

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

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

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

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

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

As discussed in Note 19, the District is experiencing financial difficulties. Management's plan in regards to these financial difficulties is described in the Note 19 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Federal Awards Receipts and Expenditures Schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. 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.



Dave Yost
Auditor of State

March 13, 2012

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

The discussion and analysis of the Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General cash receipts accounted for \$10,997,965 in receipts or 72 percent of all receipts. Program specific receipts in the form of charges for services and sales, and grants, contributions, and interest accounted for \$4,253,808 or 28 percent of total receipts of \$15,251,773.
- Total program disbursements were \$15,423,568.
- In total, net assets decreased by \$171,795.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer this question.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the School District's Fiduciary Responsibilities

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

The School District as a Whole

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

Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

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

(Table 1)
Net Assets-Cash Receipts
Governmental Activities

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 907,733	\$ 1,079,528	\$ (171,795)
Net Assets			
Restricted	1,212,682	1,558,013	(345,331)
Unrestricted (Deficit)	<u>(304,949)</u>	<u>(478,485)</u>	<u>173,536</u>
Total Net Assets	<u>\$ 907,733</u>	<u>\$ 1,079,528</u>	<u>\$ (171,795)</u>

The above table reflects a decrease in net assets of \$171,795 primarily due to a decrease in cash and cash equivalents resulting from the District's spending exceeding resources.

Table 2 shows the changes in net assets for fiscal year 2011 compared to fiscal year 2010:

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

(Table 2)
Change in Net Assets
Governmental Activities

	2011	2010	Change
Receipts			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 1,410,537	\$ 1,055,440	\$ 355,097
Operating Grants, Contributions and Interest	2,830,285	2,261,132	569,153
Capital Grants, Contributions and Interest	12,986	15,758	(2,772)
<i>General Receipts</i>			
Property Taxes	2,802,032	2,794,618	7,414
Grants and Entitlements	8,103,062	10,245,597	(2,142,535)
Other	92,871	512,245	(419,374)
<i>Total Receipts</i>	<u>15,251,773</u>	<u>16,884,790</u>	<u>(1,633,017)</u>
Program Disbursements			
Instruction	9,362,064	9,312,558	49,506
Support Services:			
Pupils and Instructional Staff	1,299,219	1,332,994	(33,775)
Board of Education, Administration and Fiscal	1,426,394	1,354,170	72,224
Operation and Maintenance of Plant	1,267,948	3,383,987	(2,116,039)
Pupil Transportation	776,719	654,476	122,243
Central	16,847	18,824	(1,977)
Operation of Non-instructional Services			
Food Service Operations	474,483	495,444	(20,961)
Community Recreation Services	7,578	-	7,578
Other	-	21,352	(21,352)
Extracurricular Activities	363,922	336,548	27,374
Site Improvements	67,528	-	67,528
Principal Retirement	261,000	443,000	(182,000)
Interest and Fiscal Charges	99,866	102,386	(2,520)
<i>Total Expenses</i>	<u>15,423,568</u>	<u>17,455,739</u>	<u>(2,032,171)</u>
<i>Change in Net Assets</i>	(171,795)	(570,949)	399,154
<i>Net Assets, Beginning of Year</i>	<u>1,079,528</u>	<u>1,650,477</u>	<u>(570,949)</u>
<i>Net Assets, End of Year</i>	<u>\$ 907,733</u>	<u>\$ 1,079,528</u>	<u>\$ (171,795)</u>

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

Governmental Activities

Several receipt sources fund the District's governmental activities with intergovernmental receipts in the form of operating and capital grants and contributions and unrestricted grants and entitlements being the largest contributor. Intergovernmental receipts generated \$10,946,333 in 2011 and \$12,522,487 in 2010. Property tax levies generated \$2,802,032 in 2011 and 2,794,618 in 2010.

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

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

	Total Cost of Service 2011	Net Cost of Service 2011	Total Cost of Service 2010	Net Cost of Service 2010
Instruction	\$ 9,362,064	\$ (6,290,658)	\$ 9,312,558	\$ (7,014,926)
Support Services:				
Pupil and Instructional Staff	1,299,219	(879,277)	1,332,994	(1,009,684)
Board of Education, Administration, Fiscal and Central	1,443,241	(1,290,504)	1,372,994	(1,242,226)
Operation and Maintenance of Plant	1,267,948	(1,216,136)	3,383,987	(3,329,403)
Pupil Transportation	776,719	(749,915)	654,476	(654,476)
Food Service Operations	474,483	(67,831)	495,444	(99,167)
Community Recreation Services	7,578	(430)	-	-
Other	-	-	21,352	(21,352)
Extracurricular Activities	363,922	(246,615)	336,548	(206,789)
Site Improvements	67,528	(67,528)	-	-
Principal Retirement	261,000	(261,000)	443,000	(443,000)
Interest and Fiscal Charges	99,866	(99,866)	102,386	(102,386)
Total Expenses	\$ 15,423,568	\$ (11,169,760)	\$ 17,455,739	\$ (14,123,409)

Instruction and student support services comprise 69 percent of governmental program expenses. Other support services such as board of education, administration, fiscal and central were 10 percent of governmental program expenses. Fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the District. Principal Retirement and interest and fiscal charges were 2 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 13 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations and community recreation services comprises 3 percent of governmental program expenses. Extracurricular activities and site improvement services comprise 3 percent of total expenses.

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

The School District's Funds

Information about the District's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues including other financing sources of \$15,251,773 and expenditures of \$15,423,568.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District modified its General Fund budget. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue, including other financing sources, was \$394,996 higher than the original budget estimates of \$11,625,011.

Final appropriations were \$538,983 lower than the original budget estimates of \$12,486,789.

Debt Administration

At June 30, 2010, the District had \$1,874,995 in bonds outstanding with \$225,000 due within one year. See note 13 for additional details. Table 4 summarizes bonds outstanding.

(Table 4)
Outstanding Debt, at June 30

	Activities 2011	Activities 2010
1997 General Obligation Bonds	\$ 395,000	\$ 570,000
2007 School Improvement Refunding Bonds	1,215,000	1,250,000
2007 School Improvement Capital Appreciation Bonds	264,996	264,996
Total	\$ 1,874,996	\$ 2,084,996

Current Issues

The District is currently financially unstable. As the preceding information shows, the District relies heavily on state funding as well as its local property taxpayers. The District has not passed an operating levy since 1976 and the District no longer has a permanent improvement levy to cover purchase of buses, textbooks, and technology. Steps have been taken to stabilize the general fund through attrition of retiring employees, and overall reduction of expenditures.

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

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 District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shawn Miller, Treasurer/CFO at Union Local School District, P.O. Box 300, Morristown, Ohio 43759.

This page intentionally left blank.

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$907,733</u>
Net Assets	
Restricted for:	
Debt Service	740,276
Capital Improvements	340,859
Local Programs	5,300
Classroom Facilities Maintenance	82,573
All Grant Programs	43,674
Unrestricted	<u>(304,949)</u>
<i>Total Net Assets</i>	<u>\$907,733</u>

See accompanying notes to the basic financial statements

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

	Cash Disbursements	Program Cash Receipts			Net (Disbursements)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities					
Instruction:					
Regular	\$7,112,010	\$1,162,076	\$1,215,837	\$0	(\$4,734,097)
Special	1,785,089	38,739	452,285	0	(1,294,065)
Vocational	347,719	0	99,281	0	(248,438)
Student Intervention Services	117,246	0	103,188	0	(14,058)
Support Services:					
Pupils	715,078	0	269,206	0	(445,872)
Instructional Staff	584,141	0	150,736	0	(433,405)
Board of Education	70,441	0	0	0	(70,441)
Administration	1,018,062	0	147,737	0	(870,325)
Fiscal	337,891	0	0	0	(337,891)
Operation and Maintenance of Plant	1,267,948	0	38,826	12,986	(1,216,136)
Pupil Transportation	776,719	0	26,804	0	(749,915)
Central	16,847	0	5,000	0	(11,847)
Non-Instructional Services:					
Food Service Operations	474,483	108,256	298,396	0	(67,831)
Community Recreation Services	7,578	0	7,148	0	(430)
Extracurricular Activities	363,922	101,466	15,841	0	(246,615)
Site Improvements	67,528	0	0	0	(67,528)
Principal Retirement	261,000	0	0	0	(261,000)
Interest and Fiscal Charges	99,866	0	0	0	(99,866)
Totals	<u>\$15,423,568</u>	<u>\$1,410,537</u>	<u>\$2,830,285</u>	<u>\$12,986</u>	<u>(11,169,760)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	2,495,069
Debt Service	261,413
Capital Outlay	45,550
Grants and Entitlements not Restricted to Specific Programs	8,103,062
Investment Earnings	5,354
Receipts from Sale of Capital Assets	2,000
Miscellaneous	85,517
Total General Receipts	<u>10,997,965</u>
Change in Net Assets	(171,795)
Net Assets Beginning of Year	<u>1,079,528</u>
Net Assets End of Year	<u>\$907,733</u>

See accompanying notes to the basic financial statements

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

	General	Bond Retirement	Building Maintenance	Classroom Facilities	Classroom Maintenance	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	(\$264,991)	\$740,276	\$111,840	\$340,236	\$94,404	(\$114,032)	\$907,733
<i>Total Assets</i>	<u>(\$264,991)</u>	<u>\$740,276</u>	<u>\$111,840</u>	<u>\$340,236</u>	<u>\$94,404</u>	<u>(\$114,032)</u>	<u>\$907,733</u>
Fund Balances							
Assigned to:							
Local Programs	\$29,395	\$0	\$0	\$0	\$0	\$0	\$29,395
Encumbrances	39,761	0	52,000	73,439	11,831	48,197	225,228
Committed for:							
Underground Storage Tanks	11,000	0	0	0	0	0	11,000
Local Programs	0	0	0	0	0	22,692	22,692
Restricted for:							
Local Grants	0	0	0	0	0	13,001	13,001
State Grants	0	0	0	0	0	10,446	10,446
Federal Grants	0	0	0	0	0	20,227	20,227
Classroom Facilities Maintenance	0	0	0	0	82,573	0	82,573
Local Programs	0	0	0	0	0	5,300	5,300
Debt Service	0	740,276	0	0	0	0	740,276
Capital Improvements	14,172	0	59,840	266,797	0	50	340,859
Unassigned	(359,319)	0	0	0	0	(233,945)	(593,264)
<i>Total Fund Balances</i>	<u>(\$264,991)</u>	<u>\$740,276</u>	<u>\$111,840</u>	<u>\$340,236</u>	<u>\$94,404</u>	<u>(\$114,032)</u>	<u>\$907,733</u>

See accompanying notes to the basic financial statements

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

	General	Bond Retirement	Building Maintenance	Classroom Facilities	Classroom Maintenance	Other Governmental Funds	Total Governmental Funds
Receipts							
Taxes	\$2,495,069	\$261,413	\$0	\$0	\$45,550	\$0	\$2,802,032
Intergovernmental	8,191,521	43,554	0	3,656	48,053	2,611,531	10,898,315
Interest	5,354	0	505	0	0	91	5,950
Charges for Services	0	0	0	0	0	108,256	108,256
Tuition and Fees	1,188,439	0	0	0	0	0	1,188,439
Extracurricular Activities	25,423	0	0	0	0	76,043	101,466
Gifts and Donations	10,860	0	0	0	0	24,223	35,083
Miscellaneous	15,303	0	0	38,067	0	13,776	67,146
<i>Total Receipts</i>	<u>11,931,969</u>	<u>304,967</u>	<u>505</u>	<u>41,723</u>	<u>93,603</u>	<u>2,833,920</u>	<u>15,206,687</u>
Disbursements							
Current:							
Instruction:							
Regular	5,905,651	0	0	0	0	1,206,359	7,112,010
Special	1,338,769	0	0	0	0	446,320	1,785,089
Vocational	347,719	0	0	0	0	0	347,719
Student Intervention Services	10,354	0	0	0	0	106,892	117,246
Support Services:							
Pupils	445,440	0	0	0	0	269,638	715,078
Instructional Staff	443,342	0	0	0	0	140,799	584,141
Board of Education	70,441	0	0	0	0	0	70,441
Administration	869,957	0	0	0	0	148,105	1,018,062
Fiscal	327,242	7,367	0	0	1,282	2,000	337,891
Operation and Maintenance of Plant	1,175,679	0	0	0	85,444	6,825	1,267,948
Pupil Transportation	732,093	0	0	0	0	44,626	776,719
Central	12,747	0	0	0	0	4,100	16,847
Non-Instructional Services							
Food Service Operations	0	0	0	0	0	474,483	474,483
Community Recreation Services	0	0	0	0	0	7,578	7,578
Extracurricular Activities	294,468	0	0	0	0	69,454	363,922
Site Improvements	5,558	0	8,377	32,755	5,738	15,100	67,528
Debt Service:							
Principal Retirement	51,000	210,000	0	0	0	0	261,000
Interest and Fiscal Charges	21,630	78,236	0	0	0	0	99,866
<i>Total Disbursements</i>	<u>12,052,090</u>	<u>295,603</u>	<u>8,377</u>	<u>32,755</u>	<u>92,464</u>	<u>2,942,279</u>	<u>15,423,568</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(120,121)</u>	<u>9,364</u>	<u>(7,872)</u>	<u>8,968</u>	<u>1,139</u>	<u>(108,359)</u>	<u>(216,881)</u>
Other Financing Sources (Uses)							
Sale of Capital Assets	0	0	0	0	0	2,000	2,000
Refund of Prior Year Expenditures	5,649	0	0	0	0	37,437	43,086
<i>Total Other Financing Sources (Uses)</i>	<u>5,649</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,437</u>	<u>45,086</u>
<i>Net Change in Fund Balance</i>	<u>(114,472)</u>	<u>9,364</u>	<u>(7,872)</u>	<u>8,968</u>	<u>1,139</u>	<u>(68,922)</u>	<u>(171,795)</u>
<i>Fund Balances Beginning of Year (Restated)</i>	<u>(150,519)</u>	<u>730,912</u>	<u>119,712</u>	<u>331,268</u>	<u>93,265</u>	<u>(45,110)</u>	<u>1,079,528</u>
<i>Fund Balances End of Year</i>	<u>(\$264,991)</u>	<u>\$740,276</u>	<u>\$111,840</u>	<u>\$340,236</u>	<u>\$94,404</u>	<u>(\$114,032)</u>	<u>\$907,733</u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$2,572,000	\$2,572,000	\$2,495,069	(\$76,931)
Intergovernmental	8,143,211	8,210,279	8,191,521	(18,758)
Investment Earnings	11,000	11,000	5,354	(5,646)
Tuition and Fees	849,200	1,177,128	1,188,439	11,311
Extracurricular Activities	20,000	20,000	25,423	5,423
Gifts and Donations	9,000	9,000	10,860	1,860
Miscellaneous	8,600	8,600	15,303	6,703
<i>Total Receipts</i>	11,613,011	12,008,007	11,931,969	(76,038)
Disbursements				
Current:				
Instruction:				
Regular	6,274,957	5,899,726	5,906,700	(6,974)
Special	1,302,535	1,294,284	1,358,020	(63,736)
Vocational	356,587	327,506	348,023	(20,517)
Student Intervention Services	25,361	25,361	10,354	15,007
Support Services:				
Pupils	507,800	457,177	446,232	10,945
Instructional Staff	456,970	437,173	443,342	(6,169)
Board of Education	75,117	68,217	81,689	(13,472)
Administration	883,254	880,254	870,214	10,040
Fiscal	327,560	328,060	327,313	747
Operation and Maintenance of Plant	1,219,130	1,173,530	1,176,508	(2,978)
Pupil Transportation	667,838	666,838	736,598	(69,760)
Central	12,747	12,747	12,747	0
Site Improvements	6,000	6,000	6,385	(385)
Debt Service	72,630	72,630	72,630	0
Extracurricular Activities	298,303	298,303	295,096	3,207
<i>Total Disbursements</i>	12,486,789	11,947,806	12,091,851	(144,045)
<i>Excess of Receipts Under Disbursements</i>	(873,778)	60,201	(159,882)	(220,083)
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	12,000	12,000	5,649	(6,351)
<i>Total Other Financing Sources (Uses)</i>	12,000	12,000	5,649	(6,351)
<i>Net Change in Fund Balance</i>	(861,778)	72,201	(154,233)	(226,434)
<i>Fund Balance Beginning of Year</i>	(214,402)	(214,402)	(214,402)	0
Prior Year Encumbrances Appropriated	63,885	63,885	63,885	0
<i>Fund Balance End of Year</i>	(\$1,012,295)	(\$78,316)	(\$304,750)	(\$226,434)

See accompanying notes to the basic financial statements

Union Local School District
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Taxes	\$46,800	\$46,800	\$45,550	(\$1,250)
Intergovernmental	47,081	47,081	48,053	972
<i>Total Receipts</i>	<u>93,881</u>	<u>93,881</u>	<u>93,603</u>	<u>(278)</u>
Disbursements				
Current:				
Support Services:				
Fiscal	1,275	1,275	1,282	(7)
Operation and Maintenance of Plant	83,000	94,575	89,911	4,664
Building Improvement Services	6,725	9,200	13,102	(3,902)
<i>Total Disbursements</i>	<u>91,000</u>	<u>105,050</u>	<u>104,295</u>	<u>755</u>
<i>Excess of Receipts Under Disbursements</i>	<u>2,881</u>	<u>(11,169)</u>	<u>(10,692)</u>	<u>477</u>
<i>Fund Balance Beginning of Year</i>	90,015	90,015	90,015	0
Prior Year Encumbrances Appropriated	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$96,146</u></u>	<u><u>\$82,096</u></u>	<u><u>\$82,573</u></u>	<u><u>\$477</u></u>

See accompanying notes to the basic financial statements

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

	Private Purpose Trust Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 11,102	\$ 48,186
Net Assets		
Restricted for Students	\$ 11,102	\$ 48,186

See accompanying notes to the basic financial statements

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

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Donations	\$ 10,000
Deductions	
Payments in Accordance with Trust Agreements	8,500
<i>Change in Net Assets</i>	1,500
<i>Net Assets Beginning of Year</i>	9,602
<i>Net Assets End of Year</i>	\$11,102

See accompanying notes to the basic financial statements

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

Note 1: Description of the School District and Reporting Entity

The Union Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership on, or as of October 1, 2010, was 1,489. The District employs 109 certificated and 71 non-certificated employees.

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

Reporting Entity

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

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

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

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

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

Note 2: Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental: The District classifies funds finances primarily from taxes, intergovernmental receipts (e.g., grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund - The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

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

Building Maintenance Fund – The Building Maintenance Capital Projects Fund accounts for financial resources related to the construction and renovations of facilities of the District being financed through the Ohio School Facilities Commission and locally funded initiatives.

Classroom Facilities Fund – The Classroom Facilities Capital Project Fund accounts for financial resources to be used in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of major capital facilities.

Classroom Maintenance Fund – The Classroom Maintenance Special Revenue Fund accounts for financial resources related to maintenance and repair of facilities of the District being financed through property taxes.

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

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

C. Basis of Accounting

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

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

As a result of the use of this 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 these financial statements.

D. Budgetary Data

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2011, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$5,354 which includes \$5,000 assigned from other District's funds.

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

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

F. Restricted Assets

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

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Long-Term Obligations

The District's 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 paid.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

K. Net Assets

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

L. Fund Balance

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

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

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

It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. 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 is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those 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 the use in satisfying those contractual requirements.

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

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

The District applies restricted resources first when expenditures are 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 the amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District's financial statements.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

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

Additionally, in prior years, the Classroom Maintenance Fund has been reported as other governmental funds. During 2011, the Classroom Maintenance Fund will be presented as a major fund. The prior year balance is presented as a reconciling item in the table below for comparability between years.

	<u>General Fund</u>	<u>Major Fund Classroom Maintenance</u>	<u>Other Governmental Funds</u>
Fund Balance at June 30, 2010	(\$188,596)	\$0	\$86,232
Change in Fund Structure	<u>38,077</u>	<u>93,265</u>	<u>(131,342)</u>
Adjusted Fund Balance at June 30, 2010	<u><u>(\$150,519)</u></u>	<u><u>\$93,265</u></u>	<u><u>(\$45,110)</u></u>

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

Note 4 - Fund Balances

Fund balance is classified as restricted, committed, assigned, and/or unassigned based primarily on the extent to which the 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 Balances	General Fund	Bond Retirement Fund	Building Maintenance Fund	Classroom Facilities Fund	Classroom Maintenance Fund	Other Governmental Funds	Totals
Restricted for:							
Local Grant Expenditures	\$0	\$0	\$0	\$0	\$0	\$13,001	\$13,001
State Grant Expenditures	0	0	0	0	0	10,446	10,446
Federal Grant Expenditures	0	0	0	0	0	20,227	20,227
Athletic Programs	0	0	0	0	0	5,300	5,300
Classroom Maintenance	0	0	0	0	82,573	0	82,573
Capital Improvements	14,172	0	59,840	266,797	0	50	340,859
Debt Service	0	740,276	0	0	0	0	740,276
<i>Total Restricted</i>	<u>14,172</u>	<u>740,276</u>	<u>59,840</u>	<u>266,797</u>	<u>82,573</u>	<u>49,024</u>	<u>1,212,682</u>
Committed for:							
Local Programs	0	0	0	0	0	22,692	22,692
Underground Storage Tanks	11,000	0	0	0	0	0	11,000
<i>Total Committed</i>	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,692</u>	<u>33,692</u>
Assigned to:							
Encumbrances	39,761	0	52,000	73,439	11,831	48,197	225,228
Public School Support	29,395	0	0	0	0	0	29,395
<i>Total Assigned</i>	<u>69,156</u>	<u>0</u>	<u>52,000</u>	<u>73,439</u>	<u>11,831</u>	<u>48,197</u>	<u>254,623</u>
Unassigned:	(359,319)	0	0	0	0	(233,945)	(593,264)
<i>Total Fund Balances</i>	<u>(\$264,991)</u>	<u>\$740,276</u>	<u>\$111,840</u>	<u>\$340,236</u>	<u>\$94,404</u>	<u>(\$114,032)</u>	<u>\$907,733</u>

Note 5 - 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) presented for the General Fund are 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 are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

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

Net Change in Fund Balance

	General
Cash Basis	(\$114,472)
Encumbrances	(39,761)
Budget Basis	(\$154,233)

Note 6: Fund Deficits

Fund balances at June 30, 2011, included the following individual fund deficits:

	Deficit
General Fund	\$ 264,991
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	165,364
Title I	20,384

The deficit in the General Fund was created by the lack of unrestricted available resources to cover operations in the fund. The District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. In most cases, the General Fund covers other fund deficits but since the General Fund has a cash fund deficit balance, therefore it was unable to cover other fund's deficits.

Note 7: Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and any other obligations of the State of Ohio;
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) above;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bank acceptances if trading 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 District, and must be purchased with the expectation that it will be held to maturity.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$784,959 of the District's bank balance of \$1,034,959 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. During 2011, the District and public depositories complied with the provisions of these statutes.

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

Note 8: Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

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

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

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 123,363,980	94.29%	\$ 124,904,470	93.67%
Personal Public Utility	7,074,350	5.41%	8,243,580	6.18%
Tangible Personal Property	389,520	0.30%	199,100	0.15%
Total Assessed Value	<u>\$ 130,827,850</u>	<u>100%</u>	<u>\$ 133,347,150</u>	<u>100%</u>
Tax rate per \$1000 of assessed value	<u>\$ 31.25</u>		<u>\$ 31.25</u>	

Note 9: Risk Management

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio Casualty Insurance for liability insurance. The policy has a liability per occurrence limit ranging from \$15,000 to \$2,000,000 and a \$2,000,000 aggregate annual limit.

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

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

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

B. Workers' Compensation

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

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

Note 10: Pension Plans

A. School Employees Retirement System

Plan Description - The 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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 District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to 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 amount four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and the Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$187,564, \$201,426, \$150,959; 52 percent has been contributed for fiscal year 2011, 100 percent has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or 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 DC Plan allows members to allocate 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement, may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member of the DC plan 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 State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required pension obligations to STRS Ohio for fiscal years ended June 30, 2011, 2010 and 2009 were \$843,577, \$855,350 and \$822,321, respectively; 85 percent has been contributed for fiscal year 2011, 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$23,959 made by the District and \$17,113 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System/State Teachers Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by 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 on 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 year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the District paid \$24,079 in surcharge.

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

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

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$22,711 , \$97,250 and \$91,839, respectively; 52 percent has been contributed for fiscal year 2011, 100 percent has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal year ended June 30, 2011, 2010, and 2009 were \$12,070, \$11,978 and \$12,455, respectively; 52 percent has been contributed for fiscal year 2011, 100 percent has been contributed for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 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 post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$64,891, \$65,796 and \$63,255, respectively; 85 percent has been contributed for fiscal year 2011, 100 percent has been contributed for fiscal years 2010 and 2009.

Note 12 – Other Employee Benefits

A. Compensated Absences

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

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

B. Health/Life Insurance

The District contracts with Anthem Blue Cross Blue Shield for hospitalization, prescription and major medical insurance for all employees. The District pays monthly premiums of up to \$1,836.76 for family coverage and up to \$693.32 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The District contracts with Vision Services Plan of Ohio to provide vision insurance for employees. The District also provides dental insurance to employees through Coresource. Life insurance is procured for all eligible employees with Sun Life in the amount of \$40,000 paid by the District.

Note 13: General Long-Term Obligations

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

	Outstanding 6/30/2010	Additions	Reductions	Outstanding 6/30/2011	Due Within One Year
Governmental Activities:					
General Obligation Bonds - 1997	\$ 570,000	\$ 0	\$ (175,000)	\$ 395,000	\$ 190,000
School Improvement Refunding Bonds - 2007					
Serial and Term Bonds	1,250,000	0	(35,000)	1,215,000	35,000
Capital Appreciation Bonds	264,996	0	0	264,996	0
Accretion on Capital Appreciation Bonds	79,240	28,822	0	108,062	0
Unamortized Premium	112,554	0	(12,742)	99,812	0
Refunding Loss	(66,250)	0	7,500	(58,750)	0
Capital Leases	623,019	0	(66,976)	556,043	60,043
	<u>\$ 2,833,559</u>	<u>\$ 28,822</u>	<u>\$ (282,218)</u>	<u>\$ 2,580,163</u>	<u>\$ 285,043</u>
Long-Term Liabilities					

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

General Obligation Bonds

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

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

2007 School Improvement Refunding General Obligation Bonds

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

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

The bonds were issued with a premium of \$152,903, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$12,742. The issuance costs of \$62,898 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method.

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

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2012	\$ 35,000
2013	35,000

Unless otherwise called for redemption, the remaining \$35,000 principal amount of bonds due December 1, 2013 is to be paid at stated maturity.

The capital appreciation bonds will mature December 1, 2017 and 2018. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as interest. The maturity amount of the bonds is \$650,000. The fiscal year 2011 accretion amount is \$28,822.

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

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

	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$225,000	\$65,973	\$0	\$0	\$225,000	\$65,973
2013	240,000	52,709	0	0	240,000	52,709
2014	265,000	40,500	0	0	265,000	40,500
2015	275,000	29,700	0	0	275,000	29,700
2016	290,000	18,400	0	0	290,000	18,400
2017-2021	315,000	6,300	264,996	385,005	579,996	391,305
	<u>\$1,610,000</u>	<u>\$213,582</u>	<u>\$264,996</u>	<u>\$385,005</u>	<u>\$1,874,996</u>	<u>\$598,587</u>

Note 14: Capitalized Leases

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

During fiscal year 2009, the District entered into a capital lease to finance capital improvement projects. The lease arrangements are through the OASBO Expanded Asset Pooled Financing Program with the Columbus Regional Airport Authority as the lessor. The total amount of the lease was \$600,000.

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

The assets acquired by the leases will be capitalized in government wide statements governmental activities as building improvements when the project is completed. In the current year financial statements, the amount expended so far is reflected as construction in progress.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011:

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

		Copiers	Capital Improvements
Year ending June 30,	2012	\$7,185	\$71,888
	2013	0	71,936
	2014	0	70,930
	2015	0	71,851
	2016	0	71,682
	2017-2020	0	284,575
		7,185	642,862
Less amount representing interest		(142)	(93,862)
Present value of minimum lease payments		\$7,043	\$549,000

Note 15: Jointly Governed Organizations

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

OME-RESA is a jointly governed organization created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting Ohio Mid-Eastern Regional Education Service Agency, Karen Blake, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. The continued existence of OME-RESA is not dependent on the District's continued participation and no measurable equity interest exists. The District paid \$46,951 for educational management information and internet access services and \$57,142 for cooperative gas purchasing services provided during fiscal year 2011.

B. Belmont-Harrison Vocational School

The Belmont-Harrison Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2011, the District made no contributions to the Vocational School. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. The District's membership fee was \$325 for fiscal year 2011. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 16: Insurance Purchasing Pool

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), 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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 17: Set-Aside Calculations

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

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserved Balance as of June 30, 2010	\$ (146,928)	\$ 0
Current Year Set-Aside Requirement	218,238	218,238
Current Year Offsets	0	(100,464)
Qualifying Disbursements	<u>(166,877)</u>	<u>(103,602)</u>
Totals	<u>\$ (95,567)</u>	<u>\$ 14,172</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ (95,567)</u>	<u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$ 0</u>	<u>\$ 14,172</u>

Note 18: Contingencies

A. Grants

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

B. Litigation

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

Note 19: Financial Difficulties

The District's cash fund balance for the General Fund and Food Service Fund, Special Revenue Fund type have been on a steady decline since June 30, 2008. The schedule below reflects the cash fund balances and the excess of expenditures over receipts for the past four years:

<u>@ June 30</u>	<u>Cash Fund Balance</u>		<u>from General to</u>	<u>in General Fund</u>
<u>FY</u>	<u>General</u>	<u>Food</u>	<u>Food Service to cover</u>	<u>Balance minus</u>
	<u>Fund</u>	<u>Service</u>	<u>year-end deficit</u>	<u>year-end encumbrances</u>
2008	\$507,849	\$135	\$74,800	(\$422,185)
2009	\$165,244	\$0	\$118,446	(\$342,606)
2010	(\$188,596)	(\$99,133)	\$0	(\$353,841)
2011	(\$264,991)	(\$165,364)	\$0	(\$114,472)

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

Note 19: Financial Difficulties (Continued)

As the table above reflects, the Food Service Fund has been operating at a loss for at least the last four years and starting in FY10, the General Fund did not have the ability to subsidize this loss. The General Fund, for the last four years, has reflected a steady increase in revenues, but as the last column in the aforementioned table reflects, the General Fund's expenditures have exceeded receipts for each of the last four fiscal years.

At December 31, 2011, the cash fund balance deficits, including outstanding encumbrances, grew to (\$264,991) for the General Fund and (\$165,364) for the Food Service Fund. The five-year forecast submitted to Ohio Department of Education (ODE) on October 27, 2011 projects a \$(56,160) cash fund deficit in the General Fund at June 30, 2012.

During March 2012, the District became aware of the possibility of a net student loss for fiscal year 2012 from the ADM counts taken in October 2011. The amount of state funding loss associated with this downturn in ADM has not been determined, but the five-year forecast submitted to ODE in October 2011 projects an additional revenue for FY12 in the amount of \$229,000 due to increase in open enrollment.

During fiscal year FY12, the District will not have the one-time monies provided by the State Fiscal Stabilization grant (FY11 amount of \$640,660) or the Education Jobs grant (FY amount of \$482,693). This loss of revenue is projected in the five-year forecast submitted to ODE in October 2011.

The District has budgeted \$165,000 to be transferred from the General Fund to the Food Service Fund. This transfer is projected in the five-year forecast submitted to ODE in October 2011. The Board has made plans to approve a Resolution at the March 2012 board meeting to transfer approximately \$165,000 from the General Fund to the Food Service Fund to reduce the deficit fund balance, but the Board has no formal plans for the continuing operating loss in the Food Service Fund.

For FY12, the District projects the loss of two teaching positions due to retirement, a reduction in force of five teachers, two administrative positions were not filled, and two other teaching positions were reduced to half-time. There was no increase given on the base for either bargaining unit, and steps were frozen for two years, except for educational steps, and administrative salaries were frozen. The District changed health insurance carriers to decrease premiums and increased the employee's share of premium cost to 10%.

The District entered into an agreement for lease of District's land for oil and gas in January 2012. The District received a check in the amount of \$501,039. The Board has discussed making capital purchases and renovations with this money.

UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY

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

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (Food Distribution)	2010/2011	10.555	\$4,705	\$4,705
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	62,012	62,012
National School Lunch Program	2010/2011	10.555	224,407	224,407
Cash Assistance Subtotal			<u>286,419</u>	<u>286,419</u>
Total Child Nutrition Cluster			<u>291,124</u>	<u>291,124</u>
Total U.S. Department of Agriculture			291,124	291,124
U.S. DEPARTMENT OF EDUCATION				
<i>Passed-Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	40,683	66,636
	2011		280,228	284,447
Total Title I Grants to Local Educational Agencies			<u>320,911</u>	<u>351,083</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389	53,306	70,253
Total Title I, Part A Cluster			<u>374,217</u>	<u>421,336</u>
Special Education (IDEA) Cluster:				
Special Education Grants to States				
	2010	84.027		17,085
	2011		268,742	272,375
Total Special Education Grants to States			<u>268,742</u>	<u>289,460</u>
Special Education, Preschool Grants				
	2010	84.173	7,959	8,843
	2011		5,523	2,513
Total Special Education, Preschool Grants			<u>13,482</u>	<u>11,356</u>
ARRA - Special Education Grants to States, Recovery Act				
	2010	84.391	15,172	8,462
	2011		108,563	96,012
Total ARRA - Special Education Grants to States, Recovery Act			<u>123,735</u>	<u>104,474</u>
ARRA - Special Education, Preschool Grants, Recovery Act				
	2010	84.392	60	
	2011		8,500	5,430
Total ARRA - Special Education, Preschool Grants, Recovery Act			<u>8,560</u>	<u>5,430</u>
Total Special Education Cluster			414,519	410,720
Safe and Drug-Free Schools and Communities, State Grants				
	2009	84.186		17
	2010		2,084	2,443
	2011		20	20
Total Safe and Drug-Free Schools and Communities, State Grants			<u>2,104</u>	<u>2,480</u>
Education Technology State Grants				
	2010	84.318	1,608	1,734
	2011		809	809
Total Education Technology State Grants			<u>2,417</u>	<u>2,543</u>
Twenty-First Century Community Learning Centers	2011	84.287	178,692	174,767
Improving Teacher Quality State Grants	2011	84.367	94,839	94,839
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	N/A	84.394	640,660	640,660
EdJobs	2011	84.410	482,693	482,693
Total U.S. Department of Education			<u>2,190,141</u>	<u>2,230,038</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,481,265</u>	<u>\$2,521,162</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Union Local School District's (the District's) 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 fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Local School District, Belmont County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2012, wherein we noted the District has adopted Governmental Accounting Standards Board Statement No. 54, is experiencing financial difficulties and uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-03.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 13, 2012.

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

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



Dave Yost
Auditor of State

March 13, 2012



Dave Yost • Auditor of State

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

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Dave Yost
Auditor of State

March 13, 2012

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA #'s 84.027, 84.173, 84.391, and 84.392 State Fiscal Stabilization Fund – Education State Grants CFDA #84.394 Education Jobs Fund CFDA #84.410 Twenty-First Century Community Learning Center CFDA #84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

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

FINDING NUMBER 2011-01

Noncompliance Citation

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

Ohio Administrative Code Section 117-2-03(B) requires the District to file its annual financial report pursuant to generally accepted accounting principles. However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis and filed in a timely manner.

Officials' Response: GAAP statements are not prepared as a cost savings to the District.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Revised Code Section 5705.10(H) requires, in part, that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

However, Ohio Rev. Code Section 3315.20 provides an allowable exception for school districts. A school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit.
- There is a reasonable likelihood that the payment will be made.
- The unspent and unencumbered balance in the school district's general fund is greater than the aggregate of deficit amounts in all of the school district's special funds.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation - Ohio Revised Code Section 5705.10(H) (Continued)

At June 30, 2011, the following funds had a negative fund balance in the following amounts and the exceptions above were not met:

General Fund:	(\$264,991)
Food Service Fund:	(\$165,364)
Title I Fund:	(\$20,384)

We recommend the District take prudent action to refrain from deficit spending.

Officials' Response: The officials chose not to respond.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

1. Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2011-03 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Although the obligations paid by the District had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 13% of the transactions tested, and there was no evidence of a “Then and Now” certificate being utilized.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend the District’s Treasurer certify that funds are or will be available prior to obligations being incurred by the District. When prior certification is not possible, “then and now” certificates should be used.

We recommend the District certify purchases to which Section 5705.41(D) applies. The Treasurer should sign the certifications at the time the District incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response: The officials chose not to respond.

3. FINDINGS FOR FEDERAL AWARDS

None

**UNION LOCAL SCHOOL DISTRICT
BELMONT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 117.38 requires filing a financial report with the Auditor of State within 150 days and Ohio Administrative Code Section 117-2-03(B) requires the School District to file the report pursuant to generally accepted accounting principles. The District did not file their financial report within 150 days and did not file the report pursuant to generally accepted accounting principles.	No	Not Corrected; Repeated as Finding 2011-01.
2010-002	Ohio Rev. Code Section 5705.10(H) requires that money paid into a fund must be used only for the purposes for which such fund has been established. The District had several funds with negative fund balances.	No	Not Corrected; Repeated as Finding 2011-02.
2010-03	Ohio Rev. Code Section 5705.41(D)(1) prohibits making any contract or ordering any expenditure of money unless prior certification signed by the fiscal officer is attached. Prior certification was not obtained for 27% of tested transactions.	No	Not Corrected; Repeated as Finding 2011-03.

This page intentionally left blank.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Union Local School District
Belmont County
66779 Belmont-Morristown Road
Belmont, Ohio 43718

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district 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."

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

1. We noted the Board amended its anti-harassment policy at its meeting on April 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

March 13, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

UNION LOCAL SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2012**