



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

United Local School District  
Columbiana County  
8143 State Route 9  
Hanoverton, Ohio 44423

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the United Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the United Local School District, Columbiana County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

January 18, 2002

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**UNITED LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>										
<b>ASSETS:</b>										
Equity in pooled cash and cash equivalents . . . . .	\$3,924,589	\$169,446	\$59,777	\$397,683	\$44,668	\$6,859	\$88,861			\$4,691,883
Cash with fiscal agent . . . . .						341,794				341,794
Receivables (net of allowances of uncollectibles):										
Taxes - current and delinquent . . . . .	1,929,253		41,128	194,891						2,165,272
Accounts . . . . .	696	214			514					1,424
Accrued interest . . . . .	1,915									1,915
Due from other governments . . . . .	975	63,489								64,464
Interfund loan receivable . . . . .	262,000									262,000
Advances to other funds . . . . .	671,914									671,914
Prepayments . . . . .	12,314									12,314
Materials and supplies inventory . . . . .						2,185				2,185
Inventory held for resale . . . . .						10,633				10,633
Restricted assets:										
Equity in pooled cash and cash equivalents . . . . .	162,648									162,648
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .						21,351		\$10,454,738		10,476,089
<b>OTHER DEBITS:</b>										
Amount available in debt service fund . . . . .									\$61,028	61,028
Amount to be provided for retirement of general long-term obligations . . . . .									586,696	586,696
<b>Total assets and other debits . . . . .</b>	<b>\$6,966,304</b>	<b>\$233,149</b>	<b>\$100,905</b>	<b>\$592,574</b>	<b>\$79,351</b>	<b>\$348,653</b>	<b>\$88,861</b>	<b>\$10,454,738</b>	<b>\$647,724</b>	<b>\$19,512,259</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued



**UNITED LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets		General Long-Term Obligations
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable . . . . .	\$16,469	\$16,292		\$2,390					\$35,151	
Contracts payable . . . . .				159,831					159,831	
Accrued wages and benefits . . . . .	899,455	49,919			\$36,707				986,081	
Compensated absences payable . . . . .	10,155				6,790			\$451,387	468,332	
Pension obligation payable . . . . .	118,882	5,904			10,156			40,760	175,702	
Interfund loan payable . . . . .				262,000					262,000	
Advances from other funds . . . . .				671,914					671,914	
Claims payable . . . . .						\$52,260			52,260	
Deferred revenue . . . . .	1,682,802	36,158	\$39,877	188,676	10,633				1,958,146	
Due to other governments . . . . .	23,403	1,570			641		\$52,635		78,249	
Due to students . . . . .							36,226		36,226	
Energy conservation loan payable . . . . .								52,372	52,372	
Capital lease obligation payable . . . . .								103,205	103,205	
<b>Total liabilities . . . . .</b>	<b>2,751,166</b>	<b>109,843</b>	<b>39,877</b>	<b>1,284,811</b>	<b>64,927</b>	<b>52,260</b>	<b>88,861</b>	<b>647,724</b>	<b>5,039,469</b>	
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets . . . . .							\$10,454,738		10,454,738	
Contributed capital . . . . .					55,686				55,686	
Retained earnings (accumulated deficit):										
unreserved . . . . .					(41,262)	296,393			255,131	
Fund balances:										
Reserved for encumbrances . . . . .	18,784	14,360		329,798					362,942	
Reserved for prepayments . . . . .	12,314								12,314	
Reserved for advances . . . . .	671,914								671,914	
Reserved for debt service . . . . .			59,777						59,777	
Reserved for tax revenue unavailable										
for appropriation . . . . .	54,000		1,251	6,215					61,466	
Reserved for BWC refunds . . . . .	62,146								62,146	
Reserved for textbooks . . . . .	99,099								99,099	
Reserved for capital acquisition . . . . .	1,403								1,403	
Unreserved:										
Designated for underground storage . . . . .	11,000								11,000	
Unreserved-undesignated (deficit) . . . . .	3,284,478	108,946		(1,028,250)					2,365,174	
<b>Total equity and other credits . . . . .</b>	<b>4,215,138</b>	<b>123,306</b>	<b>61,028</b>	<b>(692,237)</b>	<b>14,424</b>	<b>296,393</b>	<b>10,454,738</b>		<b>14,472,790</b>	
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$6,966,304</b>	<b>\$233,149</b>	<b>\$100,905</b>	<b>\$592,574</b>	<b>\$79,351</b>	<b>\$348,653</b>	<b>\$88,861</b>	<b>\$10,454,738</b>	<b>\$647,724</b>	<b>\$19,512,259</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**UNITED LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$1,772,885		\$41,745	\$201,234	\$2,015,864
Income taxes . . . . .	503,694				503,694
Tuition . . . . .	24,606				24,606
Earnings on investments . . . . .	283,905				283,905
Extracurricular activities . . . . .	2,835	\$171,071			173,906
Other local revenues . . . . .	34,877	14,381		17,872	67,130
Intergovernmental - State . . . . .	5,981,072	116,483	4,969	67,610	6,170,134
Intergovernmental - Federal . . . . .	1,591	460,690			462,281
<b>Total revenues.</b> . . . .	<b>8,605,465</b>	<b>762,625</b>	<b>46,714</b>	<b>286,716</b>	<b>9,701,520</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,255,358	76,609		41,372	4,373,339
Special . . . . .	670,392	394,514			1,064,906
Vocational . . . . .	223,890	14,689			238,579
Other . . . . .	181,697				181,697
Support services:					
Pupil . . . . .	312,925	13,619			326,544
Instructional staff . . . . .	141,478	112			141,590
Board of Education . . . . .	59,933				59,933
Administration . . . . .	552,629	10,131			562,760
Fiscal . . . . .	183,229	699	837	4,150	188,915
Operations and maintenance . . . . .	810,464				810,464
Pupil transportation . . . . .	486,029			52,918	538,947
Central . . . . .	4,837	21,328		17,161	43,326
Community services . . . . .	806				806
Extracurricular activities . . . . .	173,483	190,142			363,625
Facilities acquisition and construction . . . . .				588,781	588,781
Debt service:					
Principal retirement . . . . .	27,420		24,999		52,419
Interest and fiscal charges . . . . .			4,577		4,577
<b>Total expenditures.</b> . . . .	<b>8,084,570</b>	<b>721,843</b>	<b>30,413</b>	<b>704,382</b>	<b>9,541,208</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	520,895	40,782	16,301	(417,666)	160,312
Other financing sources (uses):					
Operating transfers in . . . . .				565,477	565,477
Operating transfers out . . . . .	(565,477)				(565,477)
Proceeds from sale of fixed assets . . . . .	564				564
<b>Total other financing sources (uses).</b> . . . .	<b>(564,913)</b>			<b>565,477</b>	<b>564</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	(44,018)	40,782	16,301	147,811	160,876
Fund balances (deficit), July 1 . . . . .	4,259,156	82,524	44,727	(840,048)	3,546,359
Fund balances (deficit), June 30 . . . . .	<u>\$4,215,138</u>	<u>\$123,306</u>	<u>\$61,028</u>	<u>(\$692,237)</u>	<u>\$3,707,235</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**UNITED LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes.....	\$1,751,023	\$1,751,023	\$0				\$41,290	\$41,290	\$0	\$198,512	\$198,512	\$0	\$1,990,825	\$1,990,825	\$0
Income taxes.....	490,522	490,522	0										490,522	490,522	0
Tuition.....	25,466	25,466	0										25,466	25,466	0
Earnings on investments.....	284,611	290,904	6,293										284,611	290,904	6,293
Extracurricular.....	2,706	2,726	20	\$170,476	\$170,965	\$489							173,182	173,691	509
Other local revenues.....	33,781	34,302	521	14,381	14,381	0				17,722	17,872	150	65,884	66,555	671
Intergovernmental - State.....	5,983,797	5,983,797	0	116,483	116,483	0	4,969	4,969	0	67,610	67,610	0	6,172,859	6,172,859	0
Intergovernmental - Federal.....	1,591	1,591	0	344,002	344,002	0							345,593	345,593	0
Total revenues.....	<u>8,573,497</u>	<u>8,580,331</u>	<u>6,834</u>	<u>645,342</u>	<u>645,831</u>	<u>489</u>	<u>46,259</u>	<u>46,259</u>	<u>0</u>	<u>283,844</u>	<u>283,994</u>	<u>150</u>	<u>9,548,942</u>	<u>9,556,415</u>	<u>7,473</u>
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular.....	4,207,863	4,200,897	6,966	88,926	75,612	13,314				63,382	63,382	0	4,360,171	4,339,891	20,280
Special.....	665,223	662,942	2,281	294,632	292,554	2,078							959,855	955,496	4,359
Vocational.....	221,390	217,476	3,914	14,606	14,606	0							235,996	232,082	3,914
Other.....	181,603	180,504	1,099										181,603	180,504	1,099
Support services:															
Pupil.....	323,684	318,502	5,182	19,228	17,360	1,868							342,912	335,862	7,050
Instructional staff.....	144,708	143,073	1,635										144,708	143,073	1,635
Board of Education.....	60,824	59,353	1,471										60,824	59,353	1,471
Administration.....	560,148	553,940	6,208	15,328	9,075	6,253							575,476	563,015	12,461
Fiscal.....	194,261	190,617	3,644	696	696	0	850	837	13	4,500	4,150	350	200,307	196,300	4,007
Operations and maintenance.....	812,374	807,681	4,693										812,374	807,681	4,693
Pupil transportation.....	481,572	479,306	2,266							52,918	52,918	0	534,490	532,224	2,266
Central.....	4,946	4,837	109	24,250	22,064	2,186				24,661	17,161	7,500	53,857	44,062	9,795
Community services.....	852	852	0										852	852	0
Extracurricular activities.....	173,169	172,795	374	197,133	195,422	1,711							370,302	368,217	2,085
Facilities acquisition and construction.....										762,022	761,722	300	762,022	761,722	300
Debt service:															
Principal retirement.....							24,999	24,999	0				24,999	24,999	0
Interest and fiscal charges.....							4,701	4,577	124				4,701	4,577	124
Total expenditures.....	<u>8,032,617</u>	<u>7,992,775</u>	<u>39,842</u>	<u>654,799</u>	<u>627,389</u>	<u>27,410</u>	<u>30,550</u>	<u>30,413</u>	<u>137</u>	<u>907,483</u>	<u>899,333</u>	<u>8,150</u>	<u>9,625,449</u>	<u>9,549,910</u>	<u>75,539</u>
Excess (deficiency) of revenues over (under) expenditures.....	540,880	587,556	46,676	(9,457)	18,442	27,899	15,709	15,846	137	(623,639)	(615,339)	8,300	(76,507)	6,505	83,012
Other financing sources (uses):															
Refund of prior year's expenditures....	7,295	7,295	0										7,295	7,295	0
Operating transfers in.....										565,477	565,477	0	565,477	565,477	0
Operating transfers out.....	(565,477)	(565,477)	0										(565,477)	(565,477)	0
Advances in.....	276,000	276,000	0	120,500	120,500	0				137,000	137,000	0	533,500	533,500	0
Advances out.....	(257,500)	(257,500)	0	(151,000)	(151,000)	0				(125,000)	(125,000)	0	(533,500)	(533,500)	0
Proceeds from sale of fixed assets.....	564	564	0										564	564	0
Total other financing sources (uses).....	<u>(539,118)</u>	<u>(539,118)</u>	<u>0</u>	<u>(30,500)</u>	<u>(30,500)</u>	<u>0</u>				<u>577,477</u>	<u>577,477</u>	<u>0</u>	<u>7,859</u>	<u>7,859</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	1,762	48,438	46,676	(39,957)	(12,058)	27,899	15,709	15,846	137	(46,162)	(37,862)	8,300	(68,648)	14,364	83,012
Fund balances, July 1.....	3,962,230	3,962,230	0	135,525	135,525	0	43,931	43,931	0	38,474	38,474	0	4,180,160	4,180,160	0
Prior year encumbrances appropriated....	41,397	41,397	0	15,327	15,327	0	0	0	0	64,883	64,883	0	121,607	121,607	0
Fund balances, June 30.....	<u>\$4,005,389</u>	<u>\$4,052,065</u>	<u>\$46,676</u>	<u>\$110,895</u>	<u>\$138,794</u>	<u>\$27,899</u>	<u>\$59,640</u>	<u>\$59,777</u>	<u>\$137</u>	<u>\$57,195</u>	<u>\$65,495</u>	<u>\$8,300</u>	<u>\$4,233,119</u>	<u>\$4,316,131</u>	<u>\$83,012</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**UNITED LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS/FUND EQUITY  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales . . . . .	\$264,170		\$264,170
Charges for services . . . . .		\$949,898	949,898
 Total operating revenues . . . . .	 264,170	 949,898	 1,214,068
Operating expenses:			
Personal services . . . . .	243,903	38,146	282,049
Contract services . . . . .	5,766		5,766
Materials and supplies . . . . .	214,124		214,124
Depreciation . . . . .	4,896		4,896
Claims expense . . . . .		773,694	773,694
Other operating expenses . . . . .	255		255
 Total operating expenses . . . . .	 468,944	 811,840	 1,280,784
Operating income (loss) . . . . .	(204,774)	138,058	(66,716)
Nonoperating revenues:			
Operating grants . . . . .	133,308		133,308
Federal commodities . . . . .	31,229		31,229
Interest revenue . . . . .	1,326	9,203	10,529
 Total nonoperating revenues . . . . .	 165,863	 9,203	 175,066
Net income (loss) . . . . .	(38,911)	147,261	108,350
Retained earnings (accumulated deficit), July 1 . . . . .	(2,351)	149,132	146,781
Retained earnings (accumulated deficit), June 30 . . . . .	(41,262)	296,393	255,131
Contributed capital at June 30 . . . . .	55,686		55,686
Total fund equity at June 30 . . . . .	<u>\$14,424</u>	<u>\$296,393</u>	<u>\$310,817</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**UNITED LOCAL SCHOOL DISTRICT**  
**COLUMBIANA COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from sales . . . . .	\$263,656		\$263,656
Cash received from service charges . . . . .		\$949,898	949,898
Cash payments for personal services . . . . .	(223,884)	(38,146)	(262,030)
Cash payments for contract services . . . . .	(5,766)		(5,766)
Cash payments for materials and supplies . . . . .	(182,236)		(182,236)
Cash payments for claims expenses . . . . .		(799,277)	(799,277)
Cash payments for other expenses . . . . .	(255)		(255)
Net cash provided by (used in) operating activities. . . . .	<u>(148,485)</u>	<u>112,475</u>	<u>(36,010)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants. . . . .	<u>133,308</u>		<u>133,308</u>
Net cash provided by noncapital financing activities. . . . .	<u>133,308</u>		<u>133,308</u>
Cash flows from investing activities:			
Interest received . . . . .	<u>1,326</u>	<u>9,203</u>	<u>10,529</u>
Net cash provided by investing activities. . . . .	<u>1,326</u>	<u>9,203</u>	<u>10,529</u>
Net increase (decrease) in cash and cash equivalents. . . . .	(13,851)	121,678	107,827
Cash and cash equivalents at beginning of year. . . . .	58,519	226,975	285,494
Cash and cash equivalents at end of year . . . . .	<u>\$44,668</u>	<u>\$348,653</u>	<u>\$393,321</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss). . . . .	(\$204,774)	\$138,058	(\$66,716)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	4,896		4,896
Federal donated commodities . . . . .	31,229		31,229
Changes in assets and liabilities:			
Increase in materials and supplies inventory. . . . .	(1,002)		(1,002)
Increase in inventory held for resale . . . . .	(3,617)		(3,617)
Increase in accounts receivable. . . . .	(514)		(514)
Increase in accrued wages and benefits . . . . .	15,462		15,462
Increase in compensated absences payable . . . . .	1,476		1,476
Increase in pension obligation payable . . . . .	2,440		2,440
Increase in due to other governments . . . . .	641		641
Decrease in claims payable. . . . .		(25,583)	(25,583)
Increase in deferred revenue . . . . .	5,278		5,278
Net cash provided by (used in) operating activities . . . . .	<u>(\$148,485)</u>	<u>\$112,475</u>	<u>(\$36,010)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

United Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.01 of the Ohio Revised Code.

The District is located in Columbiana County and encompasses the City of Hanoverton, Butler Township, West Township, Franklin Township and Salem Township.

The District ranks as the 374<sup>th</sup> largest by total enrollment among the 682 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The District provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board of Education controls the District's four instructional/support facilities staffed by 12 administrators, 37 classified employees and 96 certificated employees who provide services to 1,526 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 provide 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. The District has no component units. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Education Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. 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 among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Columbiana County Career Center

The Columbiana County Career Center is a jointly governed organization to provide for the vocational and special education needs of the students of eight participating school districts. The Board of Education members are appointed by the local Boards of Education from one of its elected members. The Career Center Board of Education exercises total control over its operations, including budgeting, appropriating, contracting, and designating management. All revenues are generated from tax levies, State funding and fees. Financial information can be obtained by writing to the Columbiana County Career Center, 9364 State Route 45, Lisbon, Ohio 44432.

*PUBLIC ENTITY RISK POOLS*

Columbiana County School Employees Insurance Consortium (Consortium)

Columbiana County Employees Insurance Consortium is a shared risk pool. The consortium provides services to the six member schools including, health, dental, prescription drug and life insurance. The Board of Directors is comprised of the Superintendent from each District. All claims are processed through a third-party administrator, and the fiscal agent and budgeting authority is United Local School District. Financial information can be obtained by writing to the United Local School District, 8143 State Route 9, Hanoverton, Ohio 44423.

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)

The District participates in the GRP, an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. 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 Ohio School Boards Association. The Executive Director of the Ohio School Boards Association, or his/her 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.

**B. Basis of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School functions or activities.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Fund - The enterprise fund is used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

*FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District only has one fiduciary fund type, agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.C. for a description of the agency fund accruals which, in other fund types, would be recognized on the combined balance sheet.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the GPFS. Basis of accounting relates to the timing of the measurements made.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from income taxes is recognized in the fiscal year in which the underlying exchange occurred and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget:*

Prior to January 15, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Columbiana County Budget Commission for rate determination.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal 2001; however, none of the amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds consistent with statutory provisions.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the GPFS for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to repurchase agreements and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury assets Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operated in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 2001 amounted to \$283,905 which includes \$35,282 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. The District does not have any significant inventory at June 30, 2001, for governmental funds.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of twelve years. Improvements to fund fixed assets are depreciated over the remaining useful lives of an asset.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Special Revenue Fund

Disadvantaged Pupil Impact Aid

Non-reimbursable Grants

Special Revenue Funds

Title VIB

Title I

Title VI

Drug Free Schools

Management Information Systems

Eisenhower Professional Development

Technology Grant

Safe School Hotline Grant

Teacher Development Grant

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Non-reimbursable Grants - (Continued)

Special Revenue Funds - (Continued)

Ohio Reads Grant  
SchoolNet Professional Development Grant  
Summer School Intervention  
Extended Learning Opportunity  
Title VI-R

Capital Projects Funds

OneNet Grant  
SchoolNet  
SchoolNet Praise  
Technology Equity  
Interactive Video Distance Learning

Reimbursable Grants

General Fund

Driver Education Reimbursement  
School Bus Purchase Reimbursement

Proprietary Funds

National School Breakfast and Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 61 percent of the District's operating revenue during the 2001 fiscal year.

**I. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation absences are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments for sick leave.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that are not subject to repayment. The assets are recorded at their fair market value on the date contributed. Depreciation on these assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earning at year end.

Because the District did not prepare financial statements in accordance with GAAP prior to fiscal year 1996, the exact amount of contributed capital can not be determined. Consequently only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. There was no change in contributed capital during fiscal year 2001. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Amounts paid after sixty days are considered not to have been paid with current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Prepayments**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At year-end, because the prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use State statute. A fund balance reserve has also been established. See Note 19 for details.

**N. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**O. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had long-term advances receivable and payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

**P. Fund Balance Reserves and Designations**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, advances, prepayments, tax advance unavailable for appropriation, Bureau of Worker’s Compensation (BWC) refunds, textbooks, and capital acquisition. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Designations represent tentative plans for future use of financial resources. A designation has been established for underground storage tanks.

**Q. Total Columns (Memorandum Only)**

Total columns on the GPFS are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**B. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 83
Title VI	43
<u>Capital Projects Funds</u>	
Permanent Improvements	710,255
Disability Access Grant	8,036
<u>Enterprise Fund</u>	
Food Service	41,262

The deficit fund balances in the Disadvantaged Pupil Impact Aid and Title VI special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wage, benefit and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit balances in the Permanent Improvement and Disability Access Grant capital projects funds are caused by the application of GAAP, namely in the reporting of "advances in" from another fund as a liability rather than as an "other financing source." These deficits will be eliminated by anticipated future intergovernmental revenues or subsidies not recognized and recorded at June 30.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The deficit retained earnings in the Food Service enterprise fund is due to the reporting of accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be funded by user charges and other subsidies not recognized and recorded at June 30.

**C. Agency Funds**

The following are accruals for the agency fund, which in another fund type, would be recognized in the combined balance sheet:

ASSETS

Accounts receivable	\$ 60
Due from other governments	27,835

LIABILITIES

Accounts payable	389
------------------	-----

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". State statutes require the classification of monies held by the District into three categories:

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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.



**UNITED LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash with fiscal agent:* The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2001, was \$341,794.

*Cash on hand:* At fiscal year-end, the District had \$220 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Deposits:* At year-end, the carrying amount of the District’s deposits was \$(90,601) and the bank balance was \$31,393. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. The entire bank balance was covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District’s name. STAR Ohio is an uncategorized investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$196,026</u>	\$ 196,026	\$ 196,026
Total	<u>\$196,026</u>		
Investment in STAR Ohio		<u>4,748,886</u>	<u>4,748,886</u>
Total Investments		<u>\$4,944,912</u>	<u>\$4,944,912</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet and the classifications of deposits and investments per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,196,325	\$ 0
Investments of the cash		
Management pool:		
Investment in STAR Ohio	(4,748,886)	4,748,886
Repurchase agreements	(196,026)	196,026
Cash on hand	(220)	---
Cash with fiscal agent	<u>(341,794)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (90,601)</u>	<u>\$4,944,912</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$565,477
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>565,477</u>	<u>---</u>
Total	<u>\$565,477</u>	<u>\$565,477</u>

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

**B.** Interfund balances at June 30, 2001 consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$262,000	\$ - - -
<u>Capital Projects Fund</u>		
Permanent Improvement	<u>- - -</u>	<u>262,000</u>
Totals	<u>\$262,000</u>	<u>\$262,000</u>

**C.** The following is a reconciliation of the District's long-term advances to and from other funds at June 30, 2001:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$671,914	\$ - - -
<u>Capital Projects Funds</u>		
Permanent Improvement	- - -	663,878
Disability Access Grant	<u>- - -</u>	<u>8,036</u>
Totals	<u>\$671,914</u>	<u>\$671,914</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value except for the personal property of rural electric companies which is assessed 50 percent of market and railroads which are assessed at 29 percent.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 2000 taxes were collected was \$89,806,380. Agricultural/residential and public utility/minerals real estate represented \$73,018,210 or 81.30 percent of this total, commercial & industrial real estate represented \$4,501,310 or 5.01 percent of this total, public utility tangible represented \$8,908,890 or 9.93 percent of this total and general tangible property represented \$3,377,970 or 3.76 percent of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$26.60 per \$1,000.00 of assessed valuation for operations, \$.50 per \$1,000.00 of assessed valuation for debt service and \$3.50 per \$1,000.00 of assessed valuation for permanent improvements.

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.

The District receives property taxes from Columbiana County. The Columbiana County Treasurer collects real estate property taxes on behalf of the District and the County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the Counties. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance, and recorded as revenue, at June 30, 2001, was \$54,000 in the general fund, \$1,251 in the debt service fund and \$6,215 in the Permanent Improvement capital projects fund.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 7 - INCOME TAX**

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accounts (user charged services and student fees), accrued interest, interfund loans, advances to other funds and intergovernmental state and federal revenues (to the extent they are intended to finance the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of federal funds.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 8 - RECEIVABLES - (Continued)**

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,929,253
Accounts	696
Due from other governments	975
Accrued interest	1,915
 <u>Special Revenue Funds</u>	
Accounts	214
Due from other governments	63,489
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	41,128
 <u>Capital Projects Fund</u>	
Taxes - current and delinquent	194,891
 <u>Enterprise Fund</u>	
Accounts	514

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and equipment	\$ 75,389
Less: accumulated depreciation	<u>(54,038)</u>
Net fixed assets	<u>\$ 21,351</u>



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 9 - FIXED ASSETS - (Continued)**

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land and improvements	\$ 8,000	\$ ---	\$ ---	\$ 8,000
Buildings	7,394,743	---	---	7,394,743
Furniture, fixtures and equipment	1,489,180	257,405	(40,690)	1,705,895
Vehicles	724,116	52,918	---	777,034
Construction in progress	<u>0</u>	<u>569,066</u>	<u>---</u>	<u>569,066</u>
Total	<u>\$9,616,039</u>	<u>\$879,389</u>	<u>\$(40,690)</u>	<u>\$10,454,738</u>

The construction in progress represents costs incurred by June 30, 2001 for the construction of the track and field. The project was completed on August 15, 2001.

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for IKON copiers. The total amount of the lease agreement is accounted for on a GAAP basis as a support services expenditure in the general fund with an offsetting amount reported as an other financing source.

The lease met the criteria of a capital lease as defined by FASB Statement 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 have been reclassified and are reflected as debt service expenditures in the GPFS for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$137,100 . This amount represents the total lease payments at the time of acquisition due to this being a no interest lease. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$27,420 in the general fund.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2002	\$ 27,420
2003	27,420
2004	27,420
2005	<u>20,945</u>
Total minimum lease payments	103,205
Less: amount representing interest	<u>0</u>
Present value of minimum lease payments	<u>\$103,205</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. Changes in long-term obligations of the District during the fiscal year follows:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2001</u>
Compensated Absences	\$392,014	\$ 59,373	\$ - - -	\$451,387
Pension Obligation Payable	49,037	40,760	(49,037)	40,760
Capital Lease Payable	130,625	- - -	(27,420)	103,205
Energy Conservation Loan	<u>77,371</u>	<u>- - -</u>	<u>(24,999)</u>	<u>52,372</u>
Total General Long-Term Obligations	<u>\$649,047</u>	<u>\$100,133</u>	<u>\$(101,456)</u>	<u>\$647,724</u>

Compensated absences and pension obligations will be paid from the fund from which the person is paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. The capital lease obligation will be paid from the general fund.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**B. *Energy Conservation Loan*** - On July 27, 1993, the District issued a \$215,610 energy conservation loan in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. This loan bears an interest rate of 6.20% and matures on July 27, 2002. The primary source of repayment of this loan is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the general long-term debt account group.

Principal and interest requirements for the future energy conservation loan outstanding at June 30, 2001 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$26,511	\$3,065	\$29,576
2003	<u>25,861</u>	<u>1,550</u>	<u>27,411</u>
Total	<u>\$52,372</u>	<u>\$4,615</u>	<u>\$56,987</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$8,143,602 (including available funds of \$61,028) and an unvoted debt margin of \$89,806.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twelve months. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one-fourth days per month. A percentage of unused sick time is paid at retirement. The number of unused sick days which can accumulate is restricted.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

General liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicles, including school buses, are covered by the Nationwide Insurance Company and hold a \$1,000 deductible for comprehensive and collision. There is a \$1,000,000 combined single limit of liability.

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

**B. Worker's Compensation**

For fiscal year 2001, the District participated in the GRP, an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 13 - RISK MANAGEMENT - (Continued)**

**C. Employee Medical Benefits**

Medical/Surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a shared risk pool, consisting of six school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf.

The liability for unpaid claims of \$52,260 reported in the internal service fund at June 30, 2001, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$ 77,843	\$749,662	\$(775,245)	\$52,260
2000	128,705	753,241	(804,103)	77,843

**NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUND**

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2001 is not presented. The enterprise fund had no encumbrances outstanding at June 30, 2001.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$31,356, \$59,199, and \$56,536, respectively; 45.72 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$17,021, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$422,280, \$262,260, and \$238,830, respectively; 82.37 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$74,429, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The District's liability is 6.2% of wages paid.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$200,027 during fiscal 2001.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$73,164 during the 2001 fiscal year.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$ 48,438	\$ (12,058)	\$15,846	\$ (37,862)
Net adjustment for revenue accruals	25,134	116,794	455	2,722
Net adjustment for expenditure accruals	(126,967)	(125,106)	---	(137,237)
Net adjustment for other financing sources (uses)	(25,795)	30,500	---	(12,000)
Encumbrances (budget basis)	<u>35,172</u>	<u>30,652</u>	<u>---</u>	<u>332,188</u>
GAAP Basis	<u>\$ (44,018)</u>	<u>\$ 40,782</u>	<u>\$16,301</u>	<u>\$ 147,811</u>

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District is not a party to any legal proceedings.

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. On November 5, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 18 - CONTINGENCIES - (Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 23, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**NOTE 19 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 157,370	\$ 0	\$ 157,940
Current year set-aside requirement	186,439	186,439	---
Elimination of budget stabilization reserve	---	---	(157,940)
Current year offsets	---	(44,000)	---
Qualifying disbursements	<u>(244,710)</u>	<u>(141,036)</u>	<u>---</u>
Total	<u>\$ 99,099</u>	<u>\$ 1,403</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$ 99,099</u>	<u>\$ 1,403</u>	<u>\$ 0</u>

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001

**NOTE 19 - STATUTORY RESERVES - (Continued)**

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	\$ 62,146
Amount restricted for textbooks	99,099
Amount restricted for capital acquisition	<u>1,403</u>
Total restricted assets	<u>\$162,648</u>

UNITED LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED June 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$34,591		\$31,229
National School Breakfast Program	05-PU-01	10.553	\$22,556		\$22,556	
National School Lunch Program	LL-P1-01 LL-P4-01	10.555	72,762 28,202		72,762 28,202	
Total School Lunch Program			100,964		100,964	
Special Milk Program	02-PU-00 02-PU-01	10.556	181 1,066		181 1,066	
Total Special Milk Program			1,247		1,247	
Total U.S. Department of Agriculture - Nutrition Cluster			<b>124,767</b>	<b>34,591</b>	<b>124,767</b>	<b>31,229</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1/SD-99 C1-S1/SD-00 C1-S1/SD-01	84.010			1,505 85,847 313,477	
Total Grants to Local Educational Agencies			<b>283,352</b>		<b>400,829</b>	
Innovative Educational Program Strategies	C2-S1-00 C2-S1-01	84.298			543 7,491	
Total Innovative Educational Program Strategies			<b>7,491</b>		<b>8,034</b>	
Drug-Free Schools Grant	DR-S1-00 DR-S1-01	84.186	1,813 5,836		1,836 5,286	
Total Drug-Free Schools Grant			<b>7,649</b>		<b>7,122</b>	
Class Size Reduction (Title VI-R)	CR-S1-00 CR-S1-01	84.340			6,921 32,806	
			<b>37,629</b>		<b>39,727</b>	
Eisenhower Grant Title II	MS-S1-01	84.281	7,882		2,645	
Total U.S. Department of Education			<b>344,003</b>		<b>458,357</b>	
<b>Totals Schedule of Federal Awards Expenditures</b>			<b>\$468,770</b>	<b>\$34,591</b>	<b>\$583,124</b>	<b>\$31,229</b>

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

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
FOR THE YEAR ENDED June 30, 2001**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

United Local School District  
Columbiana County  
8143 State Route 9  
Hanoverton, Ohio 44423

We have audited the financial statements of the United Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

United Local School District  
Columbiana County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, board of education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 18, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR

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

United Local School District  
Columbiana County  
8143 State Route 9  
Hanoverton, Ohio 44423

**Compliance**

We have audited the compliance of United Local School District (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 are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 United Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of United Local School District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, board of education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 18, 2002

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS<sup>1</sup>**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: CFDA# 10.550 Food Distribution CFDA# 10.553 National School Breakfast Program CFDA# 10.555 National School Lunch Program CFDA# 10.556 Special Milk Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

NONE

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

NONE



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**UNITED LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 7, 2002**