



Mary Taylor, CPA
Auditor of State

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of United Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

June 18, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$314,032 which represents a 2.79% decrease from 2007.
- General revenues accounted for \$9,945,862 in revenue or 80.47% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,413,995 or 19.53% of total revenues of \$12,359,857.
- The District had \$12,673,889 in expenses related to governmental activities; \$2,413,995 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,945,862 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$10,748,689 in revenues and other financing sources and \$10,973,372 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance decreased \$224,683 from \$3,328,832 to \$3,104,149.
- The District's permanent improvement fund had \$375,263 in revenues and other financing sources and \$431,029 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance decreased \$55,766 from \$685,901 to \$630,135.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-49 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
	<u> </u>	<u> </u>
<u>Assets</u>		
Current and other assets	\$ 8,937,413	\$ 9,362,170
Capital assets, net	<u>7,487,444</u>	<u>7,379,288</u>
Total assets	<u>16,424,857</u>	<u>16,741,458</u>
<u>Liabilities</u>		
Current liabilities	4,193,753	4,245,946
Long-term liabilities	<u>1,296,423</u>	<u>1,246,799</u>
Total liabilities	<u>5,490,176</u>	<u>5,492,745</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	7,406,322	7,279,367
Restricted	865,929	925,282
Unrestricted	<u>2,662,430</u>	<u>3,044,064</u>
Total net assets	<u>\$ 10,934,681</u>	<u>\$ 11,248,713</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$10,934,681. Of this total, \$2,662,430 is unrestricted in use.

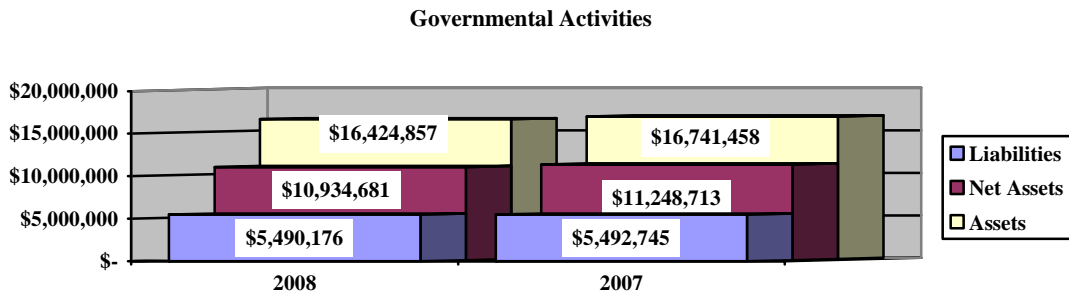
**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

At year-end, capital assets represented 45.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$7,406,322. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$865,929, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,662,430 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities and net assets at June 30, 2008 and 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007.

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,013,781	\$ 858,918
Operating grants and contributions	1,357,773	1,100,442
Capital grants and contributions	42,441	549,621
General revenues:		
Property taxes	2,453,408	2,320,012
Income taxes	697,773	684,527
Grants and entitlements	6,486,492	6,571,090
Investment earnings	306,858	321,836
Other	1,331	119,792
Total revenues	12,359,857	12,526,238

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Change in Net Assets (Continued)

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,859,662	\$ 5,690,021
Special	1,507,608	1,443,581
Vocational	295,546	270,379
Adult/continuing	15,414	7,709
Other	68,824	80,550
Support services:		
Pupil	298,442	316,105
Instructional staff	517,829	547,421
Board of education	85,896	94,141
Administration	918,110	854,950
Fiscal	255,824	245,018
Business	40,652	93,916
Operations and maintenance	852,995	1,034,171
Pupil transportation	805,529	791,181
Central	74,967	15,038
Operation of non-instructional services:		
Food service operations	589,736	553,386
Other non-instructional services	1,094	40
Extracurricular activities	478,447	462,329
Interest and fiscal charges	<u>7,314</u>	<u>3,283</u>
Total expenses	<u>12,673,889</u>	<u>12,503,219</u>
Change in net assets	(314,032)	23,019
Net assets at beginning of year	<u>11,248,713</u>	<u>11,225,694</u>
Net assets at end of year	<u>\$ 10,934,681</u>	<u>\$ 11,248,713</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$314,032. Total governmental expenses of \$12,673,889 were offset by program revenues of \$2,413,995 and general revenues of \$9,945,862. Program revenues supported 19.05% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 77.98% of total governmental revenue.

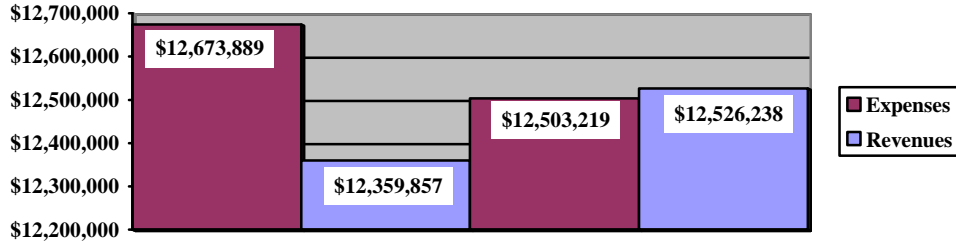
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,747,054 or 61.13% of total governmental expenses for fiscal year 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 5,859,662	\$ 5,304,988	\$ 5,690,021	\$ 5,060,076
Special	1,507,608	574,672	1,443,581	490,216
Vocational	295,546	229,931	270,379	204,982
Adult education	15,414	15,414	7,709	7,709
Other	68,824	68,824	80,550	80,550
Support services:				
Pupil	298,442	291,467	316,105	309,641
Instructional staff	517,829	517,791	547,421	545,793
Board of education	85,896	85,896	94,141	91,647
Administration	918,110	913,450	854,950	845,270
Fiscal	255,824	252,433	245,018	244,591
Business	40,652	19,402	93,916	87,141
Operations and maintenance	852,995	852,542	1,034,171	1,033,004
Pupil transportation	805,529	766,167	791,181	750,256
Central	74,967	63,967	15,038	8,279
Operation of non-instructional services:				
Food service operations	589,736	31,324	553,386	6,514
Other non-instructional services	1,094	1,094	40	40
Extracurricular activities	478,447	263,218	462,329	225,246
Interest and fiscal charges	7,314	7,314	3,283	3,283
Total expenses	\$ 12,673,889	\$ 10,259,894	\$ 12,503,219	\$ 9,994,238

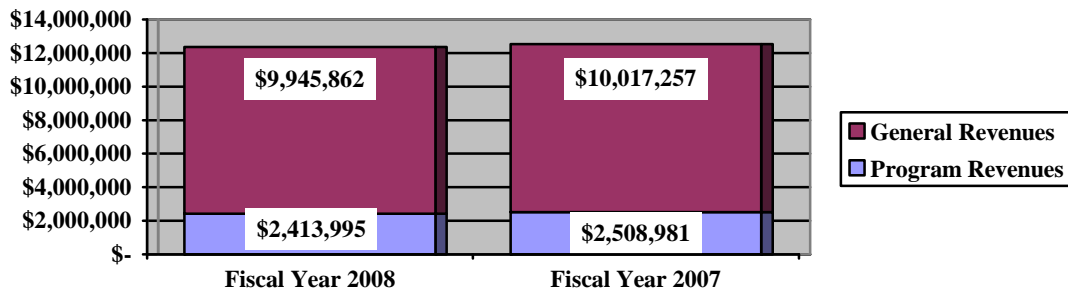
**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 79.95% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.95%. The District's taxpayers and unrestricted grants and entitlements received from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,960,035, which is less than last year's total of \$4,223,742. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 3,104,149	\$ 3,328,832	\$ (224,683)	(6.75) %
Permanent improvement	630,135	685,901	(55,766)	(8.13) %
Other governmental	<u>225,751</u>	<u>209,009</u>	<u>16,742</u>	8.01 %
Total	<u>\$ 3,960,035</u>	<u>\$ 4,223,742</u>	<u>\$ (263,707)</u>	(6.24) %

General Fund

The District's general fund balance decreased \$224,683. The decrease in fund balance can be attributed mostly to increased expenditures. Expenditures exceeded revenues for fiscal year 2008 by \$220,841.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The table that follows assists in illustrating the revenues and expenditures of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 2,226,431	\$ 2,051,901	\$ 174,530	8.51 %
Income taxes	697,773	684,527	13,246	1.94 %
Tuition	442,573	497,997	(55,424)	(11.13) %
Earnings on investments	305,622	299,457	6,165	2.06 %
Intergovernmental	7,010,670	7,076,137	(65,467)	(0.93) %
Other revenues	60,717	56,551	4,166	7.37 %
Total	<u>\$ 10,743,786</u>	<u>\$ 10,666,570</u>	<u>\$ 77,216</u>	0.72 %
<u>Expenditures</u>				
Instruction	\$ 6,893,246	\$ 6,687,868	\$ 205,378	3.07 %
Support services	3,755,406	3,738,770	16,636	0.44 %
Non-instructional services	1,094	40	1,054	2,635.00 %
Extracurricular activities	284,790	275,859	8,931	3.24 %
Facilities acquisition and construction	3,978	5,762	(1,784)	(30.96) %
Capital outlay	-	107,519	(107,519)	100.00 %
Debt service	26,113	10,881	15,232	100.00 %
Total	<u>\$ 10,964,627</u>	<u>\$ 10,826,699</u>	<u>\$ 137,928</u>	1.27 %

Declining open enrollment led to a decrease in tuition revenues. The District completed projects in 2007 which led to a decrease in capital outlays. Higher principal retirement and interest expenses on the District's capital lease during the year led to an increase in debt service expenditures.

Permanent Improvement Fund

The District's permanent improvement fund had \$375,263 in revenues and other financing sources and \$431,029 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance decreased \$55,766 from \$685,901 to \$630,135.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,993,707 and final budgeted revenues and other financing sources were \$10,691,212. Actual revenues and other financing sources for fiscal year 2008 were \$10,790,278. This represents a \$99,066 decrease from final budgeted revenues.

General fund original appropriations and other financing uses of \$11,623,136 were decreased to \$11,354,921 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$10,953,415, which was \$401,506 higher than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$7,487,444 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 57,872	\$ 57,872
Land improvements	974,793	720,753
Building and improvements	5,436,514	5,615,069
Furniture and equipment	672,724	571,555
Vehicles	345,541	414,039
Total	\$ 7,487,444	\$ 7,379,288

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

During 2007, the District entered into a capital lease transaction. The total amount outstanding at June 30, 2008 was \$81,122. Of this amount, \$20,359 is due within one year and the remaining \$60,763 is due in more than one year.

At June 30, 2008, the District's overall legal debt margin was \$10,259,436, and an unvoted debt margin of \$113,089.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Current Financial Related Activities

The District has carefully managed its General Fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the need to go to the community's citizens for additional levy millage. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a positive cash balance without going to the voters for operating levies since 1991, while continuing a quality, comprehensive educational program.

The Board's five-year projections indicate that the District will require additional operating income beginning in fiscal year 2012. Many factors impact this projection:

- Declining enrollment
- Health insurance premium increases
- Natural gas price increases
- Special education and excess costs increases
- Reduced State aid

Declining enrollment over the past ten years is a trend that has received, and will continue to receive, the attention of the Board and Administration. The Board of Education approved accepting open enrollment students in 2004. While the District still lost funds due to the number of students going open enrollment to other schools, this decision lessened the impact. Unfortunately continued reduced student counts will lead to staffing cuts in the future. This factor negatively impacts the operations of the District.

Several significant legislative and judicial actions have occurred that will have a major impact on our District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future.

The District has committed itself to educational and financial excellence for many years. The budgeting and internal controls utilized by the District are well regarded by the Auditor of State, as exemplified by the unqualified audit opinions that have been received. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kathy Davies, Treasurer, United Local School District, 8143 State Route 9, Hanoverton, Ohio 44423.

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 5,460,320
Cash with fiscal agent.	398,600
Receivables:	
Taxes	2,990,868
Accounts	1,976
Intergovernmental	32,522
Accrued interest	48,210
Prepayments	305
Materials and supplies inventory	4,612
Capital assets:	
Land	57,872
Depreciable capital assets, net	7,429,572
Capital assets, net.	7,487,444
 Total assets.	 16,424,857
Liabilities:	
Accounts payable.	21,640
Claims payable	232,563
Accrued wages and benefits	1,234,343
Pension obligation payable.	214,524
Intergovernmental payable	38,483
Unearned revenue	2,452,200
Long-term liabilities:	
Due within one year.	228,266
Due in more than one year.	1,068,157
 Total liabilities	 5,490,176
Net assets:	
Invested in capital assets, net of related debt.	7,406,322
Restricted for:	
Capital projects	648,462
Debt service.	81,419
State funded programs	18,610
Federally funded programs	25,655
Student activities	18,637
Other purposes	73,146
Unrestricted.	2,662,430
 Total net assets	 \$ 10,934,681

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,859,662	\$ 470,754	\$ 83,920	\$ -	\$ (5,304,988)
Special	1,507,608	-	932,936	-	(574,672)
Vocational	295,546	-	65,615	-	(229,931)
Adult/continuing.	15,414	-	-	-	(15,414)
Other	68,824	-	-	-	(68,824)
Support services:					
Pupil.	298,442	-	6,975	-	(291,467)
Instructional staff.	517,829	-	38	-	(517,791)
Board of education	85,896	-	-	-	(85,896)
Administration.	918,110	-	4,660	-	(913,450)
Fiscal.	255,824	275	-	3,116	(252,433)
Business.	40,652	1,725	-	19,525	(19,402)
Operations and maintenance	852,995	453	-	-	(852,542)
Pupil transportation.	805,529	25,562	-	13,800	(766,167)
Central	74,967	-	5,000	6,000	(63,967)
Operation of non-instructional services:					
Food service operations	589,736	301,633	256,779	-	(31,324)
Other non-instructional services	1,094	-	-	-	(1,094)
Extracurricular activities.	478,447	213,379	1,850	-	(263,218)
Interest and fiscal charges	7,314	-	-	-	(7,314)
Total governmental activities	\$ 12,673,889	\$ 1,013,781	\$ 1,357,773	\$ 42,441	(10,259,894)
 General revenues:					
Property taxes levied for:					
General purposes					2,189,061
Capital projects					264,347
School district income tax					697,773
Grants and entitlements not restricted to specific programs.					6,486,492
Investment earnings					306,858
Miscellaneous					1,331
Total general revenues					9,945,862
Change in net assets					(314,032)
Net assets at beginning of year.					11,248,713
Net assets at end of year					\$ 10,934,681

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 4,237,011	\$ 623,992	\$ 258,371	\$ 5,119,374
Receivables:				
Taxes	2,702,541	288,327	-	2,990,868
Accounts	900	-	1,076	1,976
Intergovernmental	5,055	-	27,467	32,522
Accrued interest	48,210	-	-	48,210
Prepayments	305	-	-	305
Materials and supplies inventory	-	-	4,612	4,612
Restricted assets:				
Equity in pooled cash and investments	62,146	-	-	62,146
Total assets	<u>\$ 7,056,168</u>	<u>\$ 912,319</u>	<u>\$ 291,526</u>	<u>\$ 8,260,013</u>
Liabilities:				
Accounts payable	\$ 17,165	\$ 1,825	\$ 2,650	\$ 21,640
Accrued wages and benefits	1,188,714	-	45,629	1,234,343
Compensated absences payable	142,821	-	-	142,821
Pension obligation payable.	198,890	-	15,634	214,524
Intergovernmental payable.	36,621	-	1,862	38,483
Deferred revenue.	177,640	18,327	-	195,967
Unearned revenue	2,190,168	262,032	-	2,452,200
Total liabilities	<u>3,952,019</u>	<u>282,184</u>	<u>65,775</u>	<u>4,299,978</u>
Fund balances:				
Reserved for encumbrances	73,271	94,836	5,634	173,741
Reserved for materials and supplies inventory.	-	-	4,612	4,612
Reserved for prepayments	305	-	-	305
Reserved for debt service.	-	-	81,419	81,419
Reserved for property tax unavailable for appropriation	69,552	7,968	-	77,520
Reserved for budget stabilization.	62,146	-	-	62,146
Unreserved:				
Designation for underground storage	11,000	-	-	11,000
Designation for budget stabilization	97,257	-	-	97,257
Undesignated, reported in:				
General fund	2,790,618	-	-	2,790,618
Special revenue funds	-	-	134,086	134,086
Capital projects funds	-	527,331	-	527,331
Total fund balances	<u>3,104,149</u>	<u>630,135</u>	<u>225,751</u>	<u>3,960,035</u>
Total liabilities and fund balances	<u>\$ 7,056,168</u>	<u>\$ 912,319</u>	<u>\$ 291,526</u>	<u>\$ 8,260,013</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 3,960,035
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,487,444
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 164,313	
Accrued interest receivable	31,654	
Total		195,967
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		444,837
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(1,072,480)	
Capital lease payable	(81,122)	
Total		<u>(1,153,602)</u>
Net assets of governmental activities		<u><u>\$ 10,934,681</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,226,431	\$ 270,639	\$ -	\$ 2,497,070
Income taxes	697,773	-	-	697,773
Tuition	442,573	-	-	442,573
Transportation fees	25,562	-	-	25,562
Earnings on investments	305,622	-	4,297	309,919
Charges for services	-	-	301,633	301,633
Extracurricular	5,190	-	208,189	213,379
Classroom materials and fees	27,006	-	-	27,006
Other local revenues	2,959	24,641	1,909	29,509
Intergovernmental - State	7,007,106	39,688	44,238	7,091,032
Intergovernmental - Federal	3,564	-	781,196	784,760
Total revenues	<u>10,743,786</u>	<u>334,968</u>	<u>1,341,462</u>	<u>12,420,216</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,523,286	-	69,857	5,593,143
Special	1,019,338	-	456,428	1,475,766
Vocational	266,384	-	-	266,384
Adult/continuing	15,414	-	-	15,414
Other	68,824	-	-	68,824
Support services:				
Pupil	297,731	-	6,489	304,220
Instructional staff	505,644	-	39	505,683
Board of education	85,896	-	-	85,896
Administration	880,385	-	4,329	884,714
Fiscal	243,464	6,488	-	249,952
Business	-	40,652	-	40,652
Operations and maintenance	1,014,776	-	-	1,014,776
Pupil transportation	713,199	-	-	713,199
Central	14,311	-	11,000	25,311
Operation of non-instructional services:				
Food service operations	-	-	562,230	562,230
Other non-instructional services	1,094	-	-	1,094
Extracurricular activities	284,790	-	214,348	499,138
Facilities acquisition and construction	3,978	383,889	-	387,867
Debt service:				
Principal retirement	18,799	-	-	18,799
Interest and fiscal charges	7,314	-	-	7,314
Total expenditures	<u>10,964,627</u>	<u>431,029</u>	<u>1,324,720</u>	<u>12,720,376</u>
Excess of revenues over (under) expenditures	<u>(220,841)</u>	<u>(96,061)</u>	<u>16,742</u>	<u>(300,160)</u>
Other financing sources (uses):				
Sale of capital assets	4,903	31,550	-	36,453
Transfers in	-	8,745	-	8,745
Transfers (out)	(8,745)	-	-	(8,745)
Total other financing sources (uses)	<u>(3,842)</u>	<u>40,295</u>	<u>-</u>	<u>36,453</u>
Net change in fund balances	(224,683)	(55,766)	16,742	(263,707)
Fund balances at beginning of year	<u>3,328,832</u>	<u>685,901</u>	<u>209,009</u>	<u>4,223,742</u>
Fund balances at end of year	<u>\$ 3,104,149</u>	<u>\$ 630,135</u>	<u>\$ 225,751</u>	<u>\$ 3,960,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	(263,707)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.		
Capital asset additions	\$ 495,108	
Current year depreciation	(518,580)	
Total		(23,472)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net assets.		
		131,628
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(43,662)	
Intergovernmental revenue	(17,933)	
Accrued interest	(12,184)	
Total		(73,779)
 Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		18,799
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(8,992)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(94,509)
Change in net assets of governmental activities	\$	(314,032)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 2,304,220	\$ 2,240,819	\$ 2,246,659	\$ 5,840
Income taxes.	720,984	701,146	725,944	24,798
Tuition.	453,185	440,715	442,573	1,858
Transportation fees	22,622	22,000	25,629	3,629
Earnings on investments.	262,986	255,750	273,327	17,577
Extracurricular.	5,152	5,010	5,047	37
Classroom materials and fees	25,872	25,160	27,071	1,911
Other local revenues	1,028	1,000	2,959	1,959
Intergovernmental - State	7,189,483	6,991,662	7,002,051	10,389
Intergovernmental - Federal.	3,291	3,200	3,564	364
Total revenues.	<u>10,988,823</u>	<u>10,686,462</u>	<u>10,754,824</u>	<u>68,362</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,588,378	5,459,421	5,437,140	22,281
Special.	1,117,837	1,092,042	1,020,621	71,421
Vocational.	265,716	259,584	264,346	(4,762)
Adult/continuing.	17,562	17,157	14,136	3,021
Other.	77,799	76,004	68,000	8,004
Support services:				
Pupil.	333,423	325,729	309,773	15,956
Instructional staff	566,597	553,522	519,935	33,587
Board of education	76,693	74,923	86,165	(11,242)
Administration.	897,222	876,518	883,229	(6,711)
Fiscal	262,112	256,064	260,659	(4,595)
Operations and maintenance.	1,246,535	1,217,770	1,025,647	192,123
Pupil transportation	804,958	786,383	717,006	69,377
Central.	19,875	19,416	15,902	3,514
Operation of non-instructional services:				
Other non-instructional services	1,297	1,267	1,199	68
Extracurricular activities.	285,624	279,033	288,185	(9,152)
Facilities acquisition and construction.	1,626	1,588	4,227	(2,639)
Total expenditures	<u>11,563,254</u>	<u>11,296,421</u>	<u>10,916,170</u>	<u>380,251</u>
Excess of expenditures over revenues.	<u>(574,431)</u>	<u>(609,959)</u>	<u>(161,346)</u>	<u>448,613</u>
Other financing sources (uses):				
Refund of prior year expenditure	-	-	2,141	2,141
Transfers (out)	(8,701)	(8,500)	(8,745)	(245)
Advances in.	-	-	28,500	28,500
Advances (out)	(51,181)	(50,000)	(28,500)	21,500
Sale of capital assets.	4,884	4,750	4,813	63
Total other financing sources (uses)	<u>(54,998)</u>	<u>(53,750)</u>	<u>(1,791)</u>	<u>51,959</u>
Net change in fund balance	(629,429)	(663,709)	(163,137)	500,572
Fund balance at beginning of year.	4,314,010	4,314,010	4,314,010	-
Prior year encumbrances appropriated	60,316	60,316	60,316	-
Fund balance at end of year	<u>\$ 3,744,897</u>	<u>\$ 3,710,617</u>	<u>\$ 4,211,189</u>	<u>\$ 500,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and investments	\$ 278,800
Cash with fiscal agent	<u>398,600</u>
Total assets	<u>677,400</u>
Liabilities:	
Claims payable	<u>232,563</u>
Total liabilities	<u>232,563</u>
Net assets:	
Unrestricted	<u>444,837</u>
Total net assets	<u><u>\$ 444,837</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 1,911,285
Total operating revenues	<u>1,911,285</u>
Operating expenses:	
Claims.	2,772,200
Other	<u>50,439</u>
Total operating expenses	<u>2,822,639</u>
Operating loss	<u>(911,354)</u>
Nonoperating revenues:	
Interest revenue	13,420
Miscellaneous	<u>803,425</u>
Total nonoperating revenues	<u>816,845</u>
Change in net assets.	(94,509)
Net assets at beginning of year	<u>539,346</u>
Net assets at end of year.	<u><u>\$ 444,837</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services.	\$ 1,911,285
Cash payments for claims	(2,852,842)
Cash payments for other expenses.	(50,439)
	(991,996)
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Cash received from non-operating activities.	803,425
	803,425
Net cash provided by noncapital financing activities.	
Cash flows from investing activities:	
Interest received.	13,420
	13,420
Net cash provided by investing activities	
Net decrease in cash and investments	(175,151)
Cash and investments at beginning of year	852,551
Cash and investments at end of year.	\$ 677,400
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (911,354)
Changes in assets and liabilities:	
Decrease in claims payable	(80,642)
	(80,642)
Net cash used in operating activities	\$ (991,996)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Agency
Assets:	
Equity in pooled cash and investments	\$ 104,135
Receivables:	
Accounts	484
Intergovernmental	56,555
Total assets.	\$ 161,174
Liabilities:	
Accrued wages and benefits	\$ 23,683
Compensated absences payable	27,141
Intergovernmental payable	875
Pension obligation payable	3,409
Due to students	106,066
Total liabilities	\$ 161,174

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 Village of Hanoverton, Butler Township, West Township, Franklin Township and Salem Township.

The District ranks as the 395th largest by total enrollment among the 896 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 43 non-certified employees and 101 certified employees who provide services to 1,357 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

The 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 100 DeBartolo, Suite 105, Youngstown, Ohio 44512.

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 Career Center's 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

Ohio Association School Business Officials Workers' Compensation Group Rating Program

The District participates in a group rating program for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (the "Program") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program. Refer to Note 13 for further information on this group rating plan.

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Permanent improvement fund - The permanent improvement capital projects fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Ohio Revised Code Chapter 5705.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical and dental benefits to employees.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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 costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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 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.

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 of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources 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 original and final amended certificates of estimated resources issued during fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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 of estimated resources 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 year 2008; however, none of the amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the original and 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.

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.

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.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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 investments" on the basic financial statements.

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposits, repurchase agreements, and federal agency securities. 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 STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$305,622, which includes \$53,378 assigned from other funds.

For presentation on the basic financial statements, 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 District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, 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.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. 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. The District does not possess infrastructure.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. There were no interfund loans outstanding at fiscal year-end.

J. Compensated Absences

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

L. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, budget stabilization, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent amounts restricted for underground storage tanks and budget stabilization.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and investments set-aside to establish a budget stabilization reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 18.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Entry year programs	\$ 16
Drug free schools	1
Miscellaneous federal grants	6

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Interim monies 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 and 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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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 interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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

A. 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, 2008, was \$398,600.

B. Cash on Hand

The District had \$220 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$860,679, exclusive of the \$50,427 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$561 of the District's bank balance of \$968,626 was exposed to custodial risk as discussed below, while \$968,065 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

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

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Repurchase agreement	\$ 50,427	\$ 50,427	\$ -	\$ -	\$ -	\$ -
STAR Ohio	310,235	310,235	-	-	-	-
FHLB	543,892	-	-	-	-	543,892
FNMA	1,524,085	-	-	-	-	1,524,085
FHLMC	2,175,542	-	-	-	-	2,175,542
FFCB	99,375	-	-	-	-	99,375
Total	<u>\$ 4,703,556</u>	<u>\$ 360,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,342,894</u>

The average maturity of investments is 3.94 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in federal agency securities, and the federal agency securities that underlie the District's repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's \$50,427 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with the investment custodial risk beyond the requirement in the State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 50,427	1.07
STAR Ohio	310,235	6.60
FHLB	543,892	11.56
FNMA	1,524,085	32.40
FHLMC	2,175,542	46.26
FFCB	99,375	2.11
Total	<u>\$ 4,703,556</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 860,679
Investments	4,703,556
Cash with fiscal agent	398,600
Cash on hand	220
Total	<u>\$ 5,963,055</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,858,920
Agency funds	104,135
Total	<u>\$ 5,963,055</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Permanent improvement fund	\$ 8,745

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

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

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

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

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

The amount available as an advance at June 30, 2008 was \$69,552 in the general fund and \$7,968 in the permanent improvement fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$89,780 in the general fund and \$10,808 in the permanent improvement fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 103,436,980	91.65	\$ 105,635,330	91.28
Public utility personal	8,123,720	7.20	8,274,150	7.15
Tangible personal property	<u>1,297,448</u>	<u>1.15</u>	<u>1,815,020</u>	<u>1.57</u>
Total	<u>\$ 112,858,148</u>	<u>100.00</u>	<u>\$ 115,724,500</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.60		\$30.60	

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 of \$697,773 has been credited to the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 2,990,868
Accounts	1,976
Intergovernmental	32,522
Accrued interest	<u>48,210</u>
Total	<u>\$ 3,073,576</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 9 - CAPITAL ASSETS

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

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 57,872	\$ -	\$ -	\$ 57,872
Total capital assets, not being depreciated	<u>57,872</u>	<u>-</u>	<u>-</u>	<u>57,872</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,255,126	380,194	-	1,635,320
Buildings and improvements	9,820,873	48,826	-	9,869,699
Furniture and equipment	1,436,011	66,088	(4,995)	1,497,104
Vehicles	<u>1,041,976</u>	<u>-</u>	<u>(26,970)</u>	<u>1,015,006</u>
Total capital assets, being depreciated	<u>13,553,986</u>	<u>495,108</u>	<u>(31,965)</u>	<u>14,017,129</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(534,373)	(126,154)	-	(660,527)
Buildings and improvements	(4,205,804)	(227,381)	-	(4,433,185)
Furniture and equipment	(864,456)	(97,775)	137,851	(824,380)
Vehicles	<u>(627,937)</u>	<u>(67,270)</u>	<u>25,742</u>	<u>(669,465)</u>
Total accumulated depreciation	<u>(6,232,570)</u>	<u>(518,580)</u>	<u>163,593</u>	<u>(6,587,557)</u>
Governmental activities capital assets, net	<u>\$ 7,379,288</u>	<u>\$ (23,472)</u>	<u>\$ 131,628</u>	<u>\$ 7,487,444</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 263,721
Special	32,625
Vocational	21,750
 <u>Support services:</u>	
Pupil	8,155
Instructional staff	10,875
Administration	8,155
Fiscal	2,717
Operations and maintenance	7,245
Pupil transportation	81,775
Extracurricular activities	59,812
Food service operations	21,750
Total depreciation expense	<u>\$ 518,580</u>

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During fiscal year 2007, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of 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 financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets acquired by lease have been capitalized in the amount of \$107,519, which is equal to the present value of the future minimum payments as of the date of their inception. Accumulated depreciation as of June 30, 2008 was \$32,255 leaving a current book value of \$75,264. A corresponding liability was recorded and is presented as a component of long-term liabilities on the statement of net assets. Principal payments in fiscal year 2008 totaled \$18,799 paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 26,113
2010	26,113
2011	26,113
2012	<u>15,233</u>
Total minimum lease payments	93,572
Less: interest	<u>(12,450)</u>
Present value	<u>\$ 81,122</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>6/30/08</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 1,146,878	\$ 299,731	\$ (231,308)	\$ 1,215,301	\$ 207,907
Capital lease obligation	<u>99,921</u>	<u>-</u>	<u>(18,799)</u>	<u>81,122</u>	<u>20,359</u>
Total long-term obligations, governmental activities	<u>\$ 1,246,799</u>	<u>\$ 299,731</u>	<u>\$ (250,107)</u>	<u>\$ 1,296,423</u>	<u>\$ 228,266</u>

Compensated absences - Compensated absences will be paid from the fund from which the person is paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

Capital lease obligation - The capital lease obligation will be paid from the general fund (see Note 10).

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$10,259,436 (including available funds of \$81,419) and an unvoted debt margin of \$113,089.

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 2008, the District contracted with Indiana Insurance Company for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

General liability is protected by the Harcum-Hyre 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 Auto Owner's 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 reductions in insurance coverage from last year.

B. OASBO Group Workers' Compensation Rating Program

The District participates in the Ohio Association of School Business Official Workers' Compensation Group Rating Program (the "Program"), an insurance purchasing pool (Note 2.A.). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. Participants in the Program are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for the Program tier rather than its individual rate. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the Program.

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 claims servicing pool, consisting of several Districts within the Eastern Region, 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 \$232,563 reported in the internal service fund at June 30, 2008, 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>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 313,205	\$ 2,772,200	\$ (2,852,842)	\$ 232,563
2007	180,005	2,240,183	(2,106,983)	313,205

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$92,120, \$100,441 and \$104,257, respectively; 48.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - PENSION PLANS - (Continued)

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$724,673, \$703,494, and \$696,527, respectively; 83.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,181 made by the District and \$9,504 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$62,381, \$48,383, and \$37,163, respectively; 48.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,638, \$6,830, and \$8,298, respectively; 48.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$55,744, \$54,115, and \$53,579, respectively; 83.36 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (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 and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (e) Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (163,137)
Net adjustment for revenue accruals	(11,038)
Net adjustment for expenditure accruals	(138,084)
Net adjustment for other sources/uses	(2,051)
Adjustment for encumbrances	<u>89,627</u>
GAAP basis	<u>\$ (224,683)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 18 - 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, 2008, the reserve activity was as follows:

	Instructional Materials/ <u>Textbooks</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside balance as of June 30, 2007	\$ 2,370	\$ (507,118)	\$ 62,146
Current year set-aside requirement	214,299	214,299	-
Qualifying disbursements	<u>(249,682)</u>	<u>(581,901)</u>	<u>-</u>
Total	<u>\$ (33,013)</u>	<u>\$ (874,720)</u>	<u>\$ 62,146</u>
Balance carried forward to FY 2009	<u>\$ (33,013)</u>	<u>\$ (874,720)</u>	<u>\$ 62,146</u>

The District has qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve and capital acquisition reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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. Monies set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2008 was \$97,257.

Amounts restricted for budget stabilization	<u>\$ 62,146</u>
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UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$37,922		\$37,922
Nutrition Cluster:						
School Breakfast Program		10.553	\$ 57,364		\$ 57,364	
National School Lunch Program		10.555	202,083		202,083	
Total Nutrition Cluster			259,447		259,447	
Total U. S. Department of Agriculture			<u>259,447</u>	<u>37,922</u>	<u>259,447</u>	<u>37,922</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2008	84.010	140,418		139,420	
	C1S1-2007				22,213	
Total Grants to Local Educational Agencies (ESEA Title I)			140,418		161,633	
Drug-Free Schools Grant	DRS1-2008	84.186	4,815		4,815	
Innovative Educational Program Strategies	C2S1-2008	84.298	1,254		854	
Education Technology State Grants	TJS1-2008	84.318	1,257		1,257	
Reading First State Grants		84.357	-		39	
Improving Teacher Quality State Grants	TRS1-2008	84.367	61,295		61,295	
	TRS1-2007				12,229	
Total Improving Teacher Quality State Grants			61,295		73,524	
Total U. S. Department of Education			<u>209,039</u>		<u>242,122</u>	
Totals			<u>\$468,486</u>	<u>\$37,922</u>	<u>\$501,569</u>	<u>\$37,922</u>

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

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of United Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated June 18, 2009.

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

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

Mary Taylor, CPA
Auditor of State

June 18, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of United Local School District, Columbiana County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the United Local School District, Columbiana County complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

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

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

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

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated June 18, 2009.

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



Mary Taylor, CPA
Auditor of State

June 18, 2009

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (10.553/10.555) Food Distribution (10.550)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

**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
JULY 21, 2009**