



**Auditor of State  
Betty Montgomery**



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

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, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, The District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005, 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditures 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 schedule of federal awards expenditures 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.



**Betty Montgomery**  
Auditor of State

June 28, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities increased \$157,215 which represents a 1.34% increase from 2003.
- General revenues accounted for \$9,836,842 in revenue or 85.93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,611,266 or 14.07% of total revenues of \$11,448,108.
- The District had \$11,290,893 in expenses related to governmental activities; \$1,611,266 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,836,842 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$9,829,773 in revenues and \$10,258,237 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$428,464 from \$4,122,449 to \$3,693,985.
- The District's permanent improvement fund had \$980,286 in revenues and other financing sources and \$806,226 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance increased \$174,060 from \$61,882 to \$235,942.

**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, 2004  
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 2004?" 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, 2004  
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 24-50 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	<b>Net Assets</b>
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 8,544,741
Capital assets	<u>8,029,450</u>
Total assets	<u>16,574,191</u>
<b><u>Liabilities</u></b>	
Current liabilities	3,769,169
Long-term liabilities	<u>906,879</u>
Total liabilities	<u>4,676,048</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	8,008,505
Restricted	1,089,440
Unrestricted	<u>2,800,198</u>
Total net assets	<u>\$ 11,898,143</u>

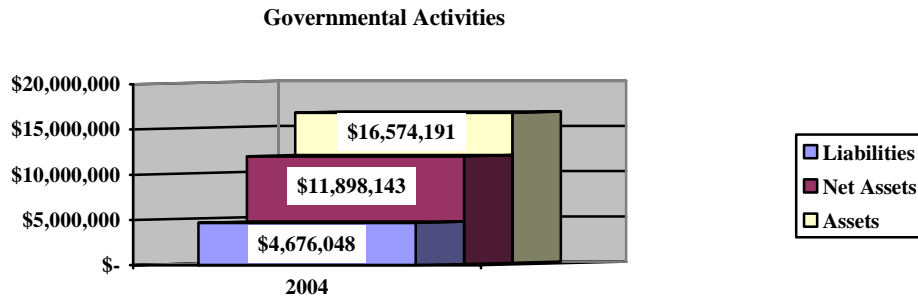
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$11,898,143. Of this total, \$2,800,198 is unrestricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

At year-end, capital assets represented 48.45% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$8,008,505. 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, \$1,089,440, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,800,198 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 730,148
Operating grants and contributions	841,843
Capital grants and contributions	39,275
General revenues:	
Property taxes	2,140,445
Income taxes	490,969
Grants and entitlements	7,150,117
Investment earnings	55,133
Other	178
	<hr/>
Total revenues	11,448,108

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 5,281,362
Special	1,393,386
Vocational	294,563
Adult education	5,779
Other	224,284
Support services:	
Pupil	403,585
Instructional staff	249,123
Board of education	63,779
Administration	708,600
Fiscal	225,337
Business	17,055
Operations and maintenance	777,708
Pupil transportation	608,003
Central	20,265
Food service operations	510,349
Operations of non-instructional services	678
Extracurricular activities	<u>507,037</u>
Total expenses	<u>11,290,893</u>
Change in net assets	157,215
Net assets at beginning of year	<u>11,740,928</u>
Net assets at end of year	<u><u>\$ 11,898,143</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$157,215. Total governmental expenses of \$11,290,893 were offset by program revenues of \$1,611,266 and general revenues of \$9,836,842. Program revenues supported 14.27% of the total governmental expenses.

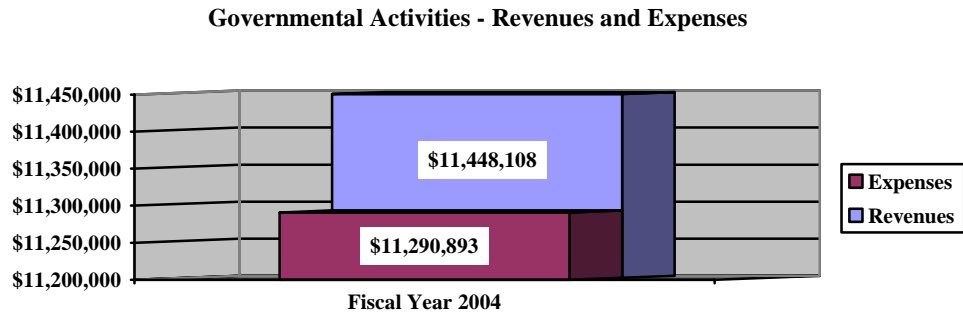
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 85.44% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,199,374 or 63.76% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.



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. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

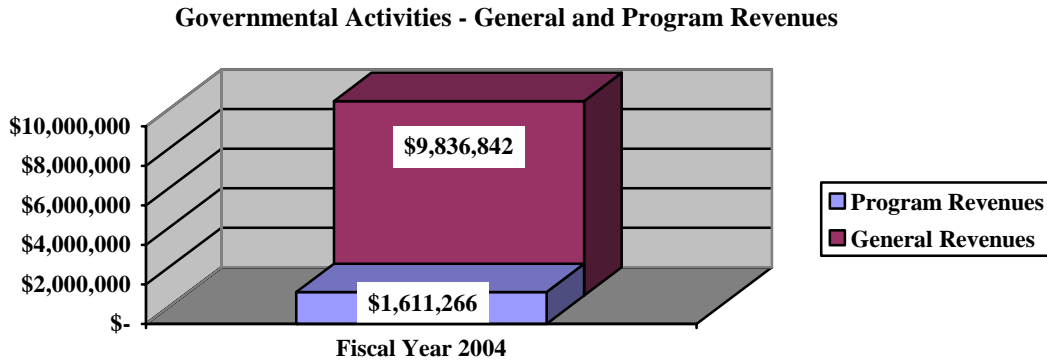
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>		
Instruction:		
Regular	\$ 5,281,362	\$ 4,935,291
Special	1,393,386	968,658
Vocational	294,563	279,278
Adult education	5,779	5,779
Other	224,284	224,284
Support services:		
Pupil	403,585	385,002
Instructional staff	249,123	249,123
Board of education	63,779	63,739
Administration	708,600	700,506
Fiscal	225,337	222,784
Business	17,055	17,055
Operations and maintenance	777,708	724,487
Pupil transportation	608,003	587,519
Central	20,265	10,714
Food service operations	510,349	12,504
Operations of non-instructional services	678	678
Extracurricular activities	<u>507,037</u>	<u>292,226</u>
<b>Total expenses</b>	<u><u>\$ 11,290,893</u></u>	<u><u>\$ 9,679,627</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 89.08% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.73%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,108,364, which is lower than last year's total of \$4,266,305. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$ 3,693,985	\$ 4,122,449	\$ (428,464)	(10.39) %
Permanent Improvement	235,942	61,882	174,060	281.28 %
Other Governmental	<u>178,437</u>	<u>81,974</u>	<u>96,463</u>	117.68 %
Total	<u>\$ 4,108,364</u>	<u>\$ 4,266,305</u>	<u>\$ (157,941)</u>	(3.70) %

**General Fund**

The District's general fund balance decreased \$428,464 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to transfers out to the permanent improvement fund in the amount of \$686,846. Expenditures increases exceed revenue increases for fiscal year 2004. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,933,168	\$ 1,778,656	\$ 154,512	8.69 %
Income taxes	490,969	465,647	25,322	5.44 %
Tuition	204,979	20,690	184,289	890.72 %
Earnings on investments	49,079	87,396	(38,317)	(43.84) %
Intergovernmental	7,104,492	6,836,711	267,781	3.92 %
Other revenues	47,086	47,761	(675)	(1.41) %
Total	<u>\$ 9,829,773</u>	<u>\$ 9,236,861</u>	<u>\$ 592,912</u>	6.42 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,287,118	\$ 5,775,590	\$ 511,528	8.86 %
Support services	3,002,595	2,869,448	133,147	4.64 %
Non-instructional services	678	530	148	27.92 %
Extracurricular activities	253,580	249,693	3,887	1.56 %
Debt service	27,420	27,420	-	- %
Total	<u>\$ 9,571,391</u>	<u>\$ 8,922,681</u>	<u>\$ 648,710</u>	7.27 %

***Permanent Improvement Fund***

The District's permanent improvement fund had \$980,286 in revenues and other financing sources and \$806,226 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance increased \$174,060 from \$61,882 to \$235,942.

***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 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,652,560 and final budgeted revenues and other financing sources were \$10,418,584. Actual revenues and other financing sources for fiscal 2004 was \$10,502,008. This represents a \$83,424 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,508,066 were increased to \$10,601,968 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$10,379,030, which was \$222,938 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$8,029,450 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 25,372	\$ 25,372
Land improvements	804,926	829,973
Building and improvements	5,726,373	5,466,635
Furniture and equipment	734,084	785,585
Vehicles	183,047	166,390
Construction in progress	555,648	-
 Total	 \$ 8,029,450	 \$ 7,273,955

The overall increase in capital assets of \$755,495 is due to capital outlays of \$1,214,290 exceeding depreciation expense of \$450,923 and disposals of \$7,872 (net of accumulated depreciation) in the fiscal year.

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

***Debt Administration***

At June 30, 2004, the District had \$20,945 in capital leases outstanding. This total amount is due within one year. The following table summarizes the capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2004	2003
Capital leases payable	\$ 20,945	\$ 48,365
 Total	 \$ 20,945	 \$ 48,365

At June 30, 2004, the District's overall legal debt margin was \$9,095,648, and an unvoted debt margin of \$100,221.

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, 2004  
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. As the preceding information shows, the general fund cash balance was \$ 3,693,985 at June 30, 2004. 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 the Fiscal Year 2008. 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 December 2002 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 citizen's taxpayers, and 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, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 5,299,944
Cash with fiscal agent. . . . .	607,674
Receivables:	
Taxes . . . . .	2,544,317
Accounts . . . . .	4,108
Intergovernmental . . . . .	47,465
Accrued interest . . . . .	3,338
Prepayments . . . . .	35,696
Materials and supplies inventory . . . . .	2,199
Capital assets:	
Land . . . . .	25,372
Construction in progress . . . . .	555,648
Depreciable capital assets, net . . . . .	7,448,430
Capital assets, net. . . . .	8,029,450
 Total assets. . . . .	 16,574,191
<b>Liabilities:</b>	
Accounts payable. . . . .	84,699
Contracts payable. . . . .	26,135
Claims payable . . . . .	86,648
Accrued wages and benefits . . . . .	1,152,871
Pension obligation payable. . . . .	205,774
Intergovernmental payable . . . . .	24,979
Deferred revenue . . . . .	2,188,063
Long-term liabilities:	
Due within one year. . . . .	150,794
Due within more than one year . . . . .	756,085
 Total liabilities . . . . .	 4,676,048
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	8,008,505
Restricted for:	
Capital projects . . . . .	250,779
Debt service. . . . .	75,742
Other purposes . . . . .	762,919
Unrestricted. . . . .	2,800,198
 Total net assets . . . . .	 \$ 11,898,143

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, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,281,362	\$ 227,750	\$ 118,321	\$ -	\$ (4,935,291)
Special . . . . .	1,393,386	-	424,728	-	(968,658)
Vocational . . . . .	294,563	-	15,285	-	(279,278)
Adult education . . . . .	5,779	-	-	-	(5,779)
Other . . . . .	224,284	-	-	-	(224,284)
Support services:					
Pupil. . . . .	403,585	-	18,583	-	(385,002)
Instructional staff . . . . .	249,123	-	-	-	(249,123)
Board of education . . . . .	63,779	40	-	-	(63,739)
Administration. . . . .	708,600	-	8,094	-	(700,506)
Fiscal. . . . .	225,337	-	2,553	-	(222,784)
Business. . . . .	17,055	-	-	-	(17,055)
Operations and maintenance . . . . .	777,708	1,229	18,717	33,275	(724,487)
Pupil transportation. . . . .	608,003	19,118	1,366	-	(587,519)
Central . . . . .	20,265	-	3,551	6,000	(10,714)
Operation of non-instructional services:					
Food service operations . . . . .	510,349	267,200	230,645	-	(12,504)
Other non-instructional services . . . . .	678	-	-	-	(678)
Extracurricular activities. . . . .	507,037	214,811	-	-	(292,226)
Total governmental activities . . . . .	<u>\$ 11,290,893</u>	<u>\$ 730,148</u>	<u>\$ 841,843</u>	<u>\$ 39,275</u>	<u>(9,679,627)</u>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	1,896,548
Capital projects . . . . .	243,897
Income tax . . . . .	490,969
Grants and entitlements not restricted to specific programs. . . . .	7,150,117
Investment earnings . . . . .	55,133
Miscellaneous . . . . .	178
Total general revenues. . . . .	<u>9,836,842</u>

Change in net assets . . . . . 157,215

**Net assets at beginning of year. . . . .** 11,740,928

**Net assets at end of year . . . . .** \$ 11,898,143

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,022,438	\$ 919,423	\$ 289,079	\$ 5,230,940
Receivables:				
Taxes . . . . .	2,281,814	262,503	-	2,544,317
Accounts . . . . .	3,653	-	455	4,108
Intergovernmental . . . . .	1,958	247	45,260	47,465
Accrued interest . . . . .	3,338	-	-	3,338
Interfund receivable . . . . .	-	-	8,036	8,036
Advances to other funds . . . . .	690,758	-	-	690,758
Prepayments . . . . .	35,696	-	-	35,696
Materials and supplies inventory . . . . .	-	-	2,199	2,199
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	62,146	-	-	62,146
Total assets . . . . .	<u>\$ 7,101,801</u>	<u>\$ 1,182,173</u>	<u>\$ 345,029</u>	<u>\$ 8,629,003</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 36,068	\$ -	\$ 48,631	\$ 84,699
Contracts payable . . . . .	-	26,135	-	26,135
Accrued wages and benefits . . . . .	1,074,208	-	78,663	1,152,871
Compensated absences payable . . . . .	81,019	-	-	81,019
Pension obligation payable . . . . .	135,918	-	10,632	146,550
Intergovernmental payable . . . . .	23,193	-	1,786	24,979
Interfund payable . . . . .	8,036	-	-	8,036
Advances from other funds . . . . .	-	663,878	26,880	690,758
Deferred revenue . . . . .	2,049,374	256,218	-	2,305,592
Total liabilities . . . . .	<u>3,407,816</u>	<u>946,231</u>	<u>166,592</u>	<u>4,520,639</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	15,879	446,961	4,144	466,984
Reserved for materials and supplies inventory . . . . .	-	-	2,199	2,199
Reserved for prepayments . . . . .	35,696	-	-	35,696
Reserved for debt service . . . . .	-	-	75,742	75,742
Reserved for property tax unavailable for appropriation . . . . .	50,099	6,285	-	56,384
Reserved for BWC refunds . . . . .	62,146	-	-	62,146
Reserved for advances . . . . .	690,758	-	-	690,758
Unreserved:				
Designation for underground storage . . . . .	11,000	-	-	11,000
Undesignated (deficit), reported in:				
General fund . . . . .	2,828,407	-	-	2,828,407
Special revenue funds . . . . .	-	-	94,768	94,768
Capital projects funds . . . . .	-	(217,304)	1,584	(215,720)
Total fund balances . . . . .	<u>3,693,985</u>	<u>235,942</u>	<u>178,437</u>	<u>4,108,364</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,101,801</u>	<u>\$ 1,182,173</u>	<u>\$ 345,029</u>	<u>\$ 8,629,003</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, 2004

<b>Total governmental fund balances</b>	\$	4,108,364
<i>Amounts reported for governmental activities in 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.		8,029,450
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the fund		
Taxes	\$ 114,191	
Accrued interest	<u>3,338</u>	
Total		117,529
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 in the statement of net assets.		527,884
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences	(804,915)	
Pension obligation payable	(59,224)	
Capital lease payable	<u>(20,945)</u>	
Total		<u>(885,084)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>11,898,143</u></b>

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, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,933,168	\$ 249,383	\$ -	\$ 2,182,551
Income taxes . . . . .	490,969	-	-	490,969
Tuition . . . . .	204,979	-	-	204,979
Transportation fees . . . . .	19,118	-	-	19,118
Earnings on investments . . . . .	49,079	-	129	49,208
Charges for services . . . . .	-	-	267,200	267,200
Extracurricular . . . . .	3,750	-	195,671	199,421
Classroom materials and fees . . . . .	22,771	-	-	22,771
Other local revenues . . . . .	1,447	3,800	15,390	20,637
Intergovernmental - State . . . . .	7,101,009	40,257	118,276	7,259,542
Intergovernmental - Federal . . . . .	3,483	-	1,080,679	1,084,162
Total revenue . . . . .	<u>9,829,773</u>	<u>293,440</u>	<u>1,677,345</u>	<u>11,800,558</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,902,367	-	147,393	5,049,760
Special . . . . .	900,066	-	450,153	1,350,219
Vocational . . . . .	254,622	-	14,634	269,256
Adult . . . . .	5,779	-	-	5,779
Other . . . . .	224,284	-	-	224,284
Support services:				
Pupil . . . . .	365,634	-	21,683	387,317
Instructional staff . . . . .	236,421	-	-	236,421
Board of education . . . . .	71,711	-	-	71,711
Administration . . . . .	681,849	-	10,473	692,322
Fiscal . . . . .	211,750	5,784	4,478	222,012
Business . . . . .	-	17,055	-	17,055
Operations and maintenance . . . . .	810,319	-	-	810,319
Pupil transportation . . . . .	616,635	-	2,095	618,730
Central . . . . .	8,276	-	15,741	24,017
Food service operations . . . . .	-	-	496,988	496,988
Other non-instructional services . . . . .	678	-	-	678
Extracurricular activities . . . . .	253,580	-	194,429	448,009
Facilities acquisition and construction . . . . .	-	783,387	222,815	1,006,202
Debt service:				
Principal retirement . . . . .	27,420	-	-	27,420
Total expenditures . . . . .	<u>9,571,391</u>	<u>806,226</u>	<u>1,580,882</u>	<u>11,958,499</u>
Excess of revenues over (under) expenditures . . . . .	<u>258,382</u>	<u>(512,786)</u>	<u>96,463</u>	<u>(157,941)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	686,846	-	686,846
Transfers (out) . . . . .	<u>(686,846)</u>	<u>-</u>	<u>-</u>	<u>(686,846)</u>
Total other financing sources (uses) . . . . .	<u>(686,846)</u>	<u>686,846</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	(428,464)	174,060	96,463	(157,941)
<b>Fund balances at beginning of year (restated) . . . . .</b>				
	<u>4,122,449</u>	<u>61,882</u>	<u>81,974</u>	<u>4,266,305</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,693,985</u>	<u>\$ 235,942</u>	<u>\$ 178,437</u>	<u>\$ 4,108,364</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, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	(157,941)
<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 capital outlay (\$1,214,290) exceeds depreciation expense (\$450,923) in the current period		763,367
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal		(7,872)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		(355,731)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		27,420
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(172,942)
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 revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities		60,914
		<hr style="border-top: 1px solid black;"/>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>157,215</b>
		<hr style="border-top: 3px double black;"/>

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, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
From local sources				
Property taxes . . . . .	\$ 1,802,162	\$ 1,945,181	\$ 1,945,181	\$ -
Income taxes . . . . .	442,575	477,697	477,697	-
Tuition . . . . .	189,592	204,639	205,052	413
Transportation fees . . . . .	14,448	15,595	16,095	500
Earnings on investments . . . . .	50,673	54,694	59,493	4,799
Extracurricular . . . . .	3,456	3,730	3,750	20
Classroom materials and fees . . . . .	19,437	20,980	22,709	1,729
Other local revenues . . . . .	2,950	3,184	3,193	9
Intergovernmental - State . . . . .	6,508,168	7,024,654	7,100,525	75,871
Intergovernmental - Federal . . . . .	3,150	3,400	3,483	83
<b>Total revenue . . . . .</b>	<b>9,036,611</b>	<b>9,753,754</b>	<b>9,837,178</b>	<b>83,424</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,790,092	4,832,896	4,757,533	75,363
Special . . . . .	874,513	882,328	873,175	9,153
Vocational . . . . .	246,617	248,821	242,034	6,787
Adult/continuing . . . . .	16,746	16,896	14,013	2,883
Other . . . . .	214,186	216,100	214,483	1,617
Support services				
Pupil . . . . .	367,666	370,952	358,632	12,320
Instructional staff . . . . .	256,412	258,703	255,441	3,262
Board of education . . . . .	77,814	78,509	72,893	5,616
Administration . . . . .	726,460	732,952	706,084	26,868
Fiscal . . . . .	221,648	223,629	217,254	6,375
Operations and maintenance . . . . .	864,247	871,970	840,087	31,883
Pupil transportation . . . . .	598,331	603,678	580,669	23,009
Central . . . . .	8,763	8,841	8,267	574
Operation of non-instructional services . . . . .	676	682	682	-
Extracurricular activities . . . . .	270,642	273,061	255,833	17,228
<b>Total expenditures . . . . .</b>	<b>9,534,813</b>	<b>9,620,018</b>	<b>9,397,080</b>	<b>222,938</b>
Excess of revenues over (under expenditures . . . . .	(498,202)	133,736	440,098	306,362
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	1,175	1,268	1,268	-
Transfers (out) . . . . .	(680,762)	(686,845)	(686,845)	-
Advances in . . . . .	613,461	662,145	662,145	-
Advances (out) . . . . .	(292,491)	(295,105)	(295,105)	-
Proceeds from sale of capital assets . . . . .	1,313	1,417	1,417	-
<b>Total other financing sources (uses) . . . . .</b>	<b>(357,304)</b>	<b>(317,120)</b>	<b>(317,120)</b>	<b>-</b>
Net change in fund balance . . . . .	(855,506)	(183,384)	122,978	306,362
<b>Fund balance at beginning of year . . . . .</b>	<b>3,860,950</b>	<b>3,860,950</b>	<b>3,860,950</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>58,076</b>	<b>58,076</b>	<b>58,076</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 3,063,520</b>	<b>\$ 3,735,642</b>	<b>\$ 4,042,004</b>	<b>\$ 306,362</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 6,858
Cash with fiscal agent . . . . .	<u>607,674</u>
 Total assets . . . . .	 <u>614,532</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>86,648</u>
 Total liabilities . . . . .	 <u>86,648</u>
<b>Net assets:</b>	
Unrestricted . . . . .	<u>527,884</u>
 Total net assets . . . . .	 <u>\$ 527,884</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, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 1,229,088
Total operating revenues . . . . .	<u>1,229,088</u>
<b>Operating expenses:</b>	
Personal services . . . . .	48,967
Claims. . . . .	1,121,754
Other . . . . .	<u>734</u>
Total operating expenses . . . . .	<u>1,171,455</u>
Operating income . . . . .	<u>57,633</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>3,281</u>
Total nonoperating revenues . . . . .	<u>3,281</u>
Change in net assets. . . . .	60,914
<b>Net assets at beginning of year . . . . .</b>	<u>466,970</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 527,884</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, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,229,088
Cash payments for personal services . . . . .	(48,967)
Cash payments for claims . . . . .	(1,125,233)
Cash payments for other expenses. . . . .	(734)
	<u>54,154</u>
Net cash provided by operating activities . . . . .	<u>54,154</u>
<b>Cash flows from investing activities:</b>	
Interest received. . . . .	3,281
	<u>3,281</u>
Net cash provided by investing activities . . . . .	<u>3,281</u>
Net increase in cash and cash equivalents . . . . .	57,435
<b>Cash and cash equivalents at beginning of year . .</b>	<u>557,097</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 614,532</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 57,633
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	(3,479)
	<u>(3,479)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 54,154</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 149,406
Receivables:	
Accounts . . . . .	25
Intergovernmental . . . . .	37,792
Total assets . . . . .	\$ 187,223
<b>Liabilities:</b>	
Intergovernmental payable . . . . .	\$ 146,492
Due to students . . . . .	40,731
Total liabilities . . . . .	\$ 187,223

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, 2004**

**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 365<sup>th</sup> largest by total enrollment among the 613 public 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 42 non-certified employees and 102 certified employees who provide services to 1,537 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 organization 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, food 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 organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Education Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 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 Board of Education members are appointed by the local Boards of Education from one of its elected members. The Career Center Board of Education exercises total control over its operations, including budgeting, appropriating, contracting, and designating management. All revenues are generated from tax levies, State funding and fees. Financial information can be obtained by writing to the Columbiana County Career Center, 9364 State Route 45, Lisbon, Ohio 44432.

*PUBLIC ENTITY RISK POOLS*

Columbiana County School Employees Insurance Consortium (Consortium)

Columbiana County School Employees Insurance Consortium is a shared risk pool. The consortium provides services to the six member schools including, health, dental, prescription drug and life insurance. The Board of Directors is comprised of the Superintendent from each District. All claims are processed through a third-party administrator, and the fiscal agent and budgeting authority is East Palestine City School District. Financial information can be obtained by writing to the East Palestine City School District, 200 West North Avenue, East Palestine, Ohio 44413.

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, 2004

**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 Chapter 5705, Ohio Revised Code.

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 and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*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 accounts for student activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**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, 2004

**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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Columbiana County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal 2004; however, none of the amendments were significant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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 Cash Equivalents" on the basic financial statements.

During fiscal year 2004, 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 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$49,079, which includes \$15,632 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at cost and expensed when used. Inventories are accounted for using the consumption method.

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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District maintained a capitalization threshold of \$500. 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. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**J. Compensated Absences**

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence 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, compensated absences, and contractually required pension contributions 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. Capital leases are recognized as a liability on the fund financial statements when due.

**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, BWC refunds, advances, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

**N. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**O. 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.

**P. 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.

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 18.

**R. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**S. 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 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

***Governmental Activities - Fund Reclassification and Restatement of Fund Balance*** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 4,188,922	\$ 61,882	\$ 72,906	\$ 4,323,710
Fund reclassifications	-	-	9,068	9,068
Implementation of GASB Interpretation No. 6	<u>(66,473)</u>	<u>-</u>	<u>-</u>	<u>(66,473)</u>
Restated fund balance, June 30, 2003	<u>\$ 4,122,449</u>	<u>\$ 61,882</u>	<u>\$ 81,974</u>	<u>\$ 4,266,305</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 4,266,305
GASB 34 adjustments:	
Long-term (deferred) assets	473,260
Capital assets	7,273,955
Pension obligation	(57,161)
Long-term liabilities	(682,401)
Internal service fund	<u>466,970</u>
Governmental activities net assets, June 30, 2003	<u>\$ 11,740,928</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 50
SchoolNet Professional Development	3
Miscellaneous State Grants	1
Title VI	154
Drug Free School Grant	6
Miscellaneous Federal Grants	18
Emergency School Building Repair	8,036

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash with Fiscal Agent:* The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$607,674.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$3,820,211 and the bank balance was \$3,942,776. These balances included \$369,396 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$247,661 was covered by federal depository insurance deposited with the District; and
2. \$3,695,115 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are

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held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	\$ 194,055	\$ 194,055	\$ 194,055
Federal agency securities	790,280	790,280	790,280
	<u>\$ 984,335</u>		
Investment in STAR Ohio		644,584	644,584
Total investments		<u>\$ 1,628,919</u>	<u>\$ 1,628,919</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 6,057,024	\$ -
Investments of the cash management pool:		
Repurchase agreement	(194,055)	194,055
Investment in STAR Ohio	(644,584)	644,584
Federal agency securities	(790,280)	790,280
Cash with fiscal agent	(607,674)	-
Cash on hand	(220)	-
GASB Statement No. 3	<u>\$ 3,820,211</u>	<u>\$ 1,628,919</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	General	\$ 8,036

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

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

- B.** Long-term interfund balances for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 26,880
	Permanent improvement	663,878

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- C.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Permanent Improvement fund from:	
General Fund	\$ 686,846

**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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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.

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value. 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.

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, 2004, are available to finance fiscal year 2004 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, 2004 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 deferred revenue.

The amount available as an advance at June 30, 2004 was \$50,099 in the general fund and \$6,285 in the Permanent Improvement capital projects fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$62,112 in the general fund and \$7,749 in the Permanent Improvement capital projects 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 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 87,731,700	89.68	\$ 89,902,950	89.70
Public utility personal	7,583,050	7.75	7,821,500	7.80
Tangible personal property	<u>2,511,090</u>	<u>2.57</u>	<u>2,496,730</u>	<u>2.50</u>
Total	<u>\$ 97,825,840</u>	<u>100.00</u>	<u>\$ 100,221,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 30.60		\$ 30.60	

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**NOTE 7 - INCOME TAX**

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

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004 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	\$ 2,544,317
Accounts	4,108
Intergovernmental	47,465
Accrued interest	<u>3,338</u>
Total	<u><u>\$ 2,599,228</u></u>

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

**NOTE 9 - CAPITAL ASSETS**

A. The capital asset balances of the governmental activities have been restated due to errors and omissions and to include land values not reported in the prior year.

	Balance 6/30/03	Adjustments	Restated Balance 6/30/03
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 25,372	\$ 25,372
Construction in progress	-	-	-
Total capital assets, not being depreciated	<u>-</u>	<u>25,372</u>	<u>25,372</u>
Capital assets, being depreciated:			
Land improvements	961,447	161,071	1,122,518
Buildings and improvements	8,993,130	(181,419)	8,811,711
Furniture and equipment	2,454,850	(426,589)	2,028,261
Vehicles	858,983	-	858,983
Total capital assets, being depreciated	<u>13,268,410</u>	<u>(446,937)</u>	<u>12,821,473</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(5,572,890)</u>	<u>(5,572,890)</u>
Governmental activities capital assets, net	<u><u>\$ 13,268,410</u></u>	<u><u>\$ (5,994,455)</u></u>	<u><u>\$ 7,273,955</u></u>

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

**B.** Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 25,372	\$ -	\$ -	\$ 25,372
Construction in progress	<u>-</u>	<u>555,648</u>	<u>-</u>	<u>555,648</u>
Total capital assets, not being depreciated	<u>25,372</u>	<u>555,648</u>	<u>-</u>	<u>581,020</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,122,518	34,199	-	1,156,717
Buildings and improvements	8,811,711	459,882	-	9,271,593
Furniture and equipment	2,028,261	90,369	(17,716)	2,100,914
Vehicles	<u>858,983</u>	<u>74,192</u>	<u>(83,627)</u>	<u>849,548</u>
Total capital assets, being depreciated	<u>12,821,473</u>	<u>658,642</u>	<u>(101,343)</u>	<u>13,378,772</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(292,545)	(59,246)	-	(351,791)
Buildings and improvements	(3,345,076)	(200,144)	-	(3,545,220)
Furniture and equipment	(1,242,676)	(138,548)	14,394	(1,366,830)
Vehicles	<u>(692,593)</u>	<u>(52,985)</u>	<u>79,077</u>	<u>(666,501)</u>
Total accumulated depreciation	<u>(5,572,890)</u>	<u>(450,923)</u>	<u>93,471</u>	<u>(5,930,342)</u>
Governmental activities capital assets, net	<u>\$ 7,273,955</u>	<u>\$ 763,367</u>	<u>\$ (7,872)</u>	<u>\$ 8,029,450</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 232,529
Special	28,767
Vocational	19,177

Support Services:

Pupil	7,192
Instructional staff	9,590
Administration	7,192
Fiscal	2,398
Operations and maintenance	4,794
Pupil transportation	67,368
Extracurricular activities	52,739
Food service operations	<u>19,177</u>

Total depreciation expense \$ 450,923

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**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

The lease met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the BFS for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the amount of \$137,100. This amount represents the total lease payments at the time of acquisition due to this being a no interest lease. A corresponding liability was recorded in the general fund. Principal payments in fiscal year 2004 totaled \$27,420 in the general fund.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 20,945
Total minimum lease payments	20,945
Less amount representing interest	-
Total	<u>\$ 20,945</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$466,210 to \$750,413 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$48,493 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$235,710 from \$563,068 to \$798,778. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 750,413	\$ 339,494	\$ (203,973)	\$ 885,934	\$ 129,849
Capital lease payable	<u>48,365</u>	<u>-</u>	<u>(27,420)</u>	<u>20,945</u>	<u>20,945</u>
Total long-term obligations, governmental activities	<u>\$ 798,778</u>	<u>\$ 339,494</u>	<u>\$ (231,393)</u>	<u>\$ 906,879</u>	<u>\$ 150,794</u>



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

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

**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 effects of these debt limitations at June 30, 2004 are a voted debt margin of \$9,095,648 (including available funds of \$78,742) and an unvoted debt margin of \$100,221.

**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.

**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 2004, 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.

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

**B. OASBA Group Workers' Compensation Rating Program**

The District participates in the Ohio Association School Business Official Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP 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 GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

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

The liability for unpaid claims of \$86,648 reported in the internal service fund at June 30, 2004, 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>
2004	\$ 90,127	\$ 1,121,754	\$ (1,125,233)	\$ 86,648
2003	41,904	1,097,396	(1,049,173)	90,127

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$127,018, \$70,850, and \$43,539, respectively; 46.68% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$67,722, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$696,643, \$637,346, and \$445,663, respectively; 81.94% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$125,792 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$49,760 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$60,369 during the 2004 fiscal year.

**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 and disbursements.

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);
- (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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ 122,978
Net adjustment for revenue accruals	(7,405)
Net adjustment for expenditure accruals	(226,611)
Net adjustment for other sources/uses	(369,726)
Adjustment for encumbrances	<u>52,300</u>
GAAP basis	<u>\$ (428,464)</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 involved in no material litigation as either plaintiff or defendant.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**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, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (21,968)	\$ -	\$ 62,146
Current year set-aside requirement	203,255	203,255	-
Current year offsets	-	(66,576)	-
Qualifying disbursements	<u>(213,290)</u>	<u>(226,919)</u>	<u>-</u>
Total	<u>\$ (32,003)</u>	<u>\$ (90,240)</u>	<u>\$ 62,146</u>
Cash balance carried forward to FY 2005	<u>\$ (32,003)</u>	<u>\$ -</u>	<u>\$ 62,146</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for BWC refunds	<u>\$ 62,146</u>
Total restricted assets	<u>\$ 62,146</u>

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UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$37,777		\$37,777
School Breakfast Program		10.553	31,561		31,561	
National School Lunch Program		10.555	165,352		165,352	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>196,913</u>	<u>37,777</u>	<u>196,913</u>	<u>37,777</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Education Technology State Grants	TJS1-2003	84.318			1,728	
	TJS1-2004		6,359		6,358	
Total Education Technology State Grants			<u>6,359</u>		<u>8,086</u>	
Improving Teacher Quality State Grants	TRS1-2003	84.367	28,428		33,287	
	TRS1-2004		77,449		66,272	
Total Improving Teacher Quality State Grants			<u>105,877</u>		<u>99,559</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2002	84.010	225,776		0	
	C1S1-2003		77,106		65,566	
	C1S1-2004		234,919		215,062	
	C1SD-2004		20,451		0	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>558,252</u>		<u>280,628</u>	
Innovative Educational Program Strategies	C2S1-2002	84.298	128		128	
	C2S1-2003		6,366		0	
	C2S1-2004		7,809		7,809	
Total Innovative Educational Program Strategies			<u>14,303</u>		<u>7,937</u>	
Drug-Free Schools Grant	DRS1-2003	84.186	7,311		6,510	
	DRS1-2004		9,212		9,212	
Total Drug-Free Schools Grant			<u>16,523</u>		<u>15,722</u>	
<i>Passed Through Ohio School Facilities Commission:</i>						
School Renovation Grant	ATS2-2002	84.352	235,628		189,639	
Total Department of Education			<u>936,942</u>		<u>601,571</u>	
<b>Totals</b>			<u>\$1,133,855</u>	<u>\$37,777</u>	<u>\$798,484</u>	<u>\$37,777</u>

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

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

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 nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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



**Auditor of State  
Betty Montgomery**

**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, OH 44423

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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 28, 2005 wherein we noted the District implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34. 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 to determine our auditing procedures in order to express our opinions on the financial statements and do not opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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 grants 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*.

United Local School District  
Columbiana County

Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*

Page 2

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

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

**Betty Montgomery**  
Auditor of State

June 28, 2005



## Auditor of State Betty Montgomery

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

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

#### 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 are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

**Betty Montgomery**  
Auditor of State

June 28, 2005

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

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I (84.010)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None







**Auditor of State  
Betty Montgomery**

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**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**