



Dave Yost • Auditor of State



**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of United Local School District, Columbiana County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 15, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016. 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 fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$142,025 which represents a 2.21% increase from 2015.
- General revenues accounted for \$10,941,986 in revenue or 78.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,012,938 or 21.59% of total revenues of \$13,954,924.
- The District had \$13,812,899 in expenses related to governmental activities; \$3,012,938 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,941,986 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$12,308,555 in revenues and \$12,309,243 in expenditures. During fiscal year 2016, the general fund's fund balance decreased \$688 from a fund balance of \$4,378,991 to \$4,378,303.

**Using the 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 position 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 is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

*Statement of Net Position 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 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

These two statements report the District's net position and changes in net position. This change in net position 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 position 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 position 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 10. 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 fund is the general 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 position 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.

***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 assets and liabilities on page 20. 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 21-54 of this report.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability. The required supplementary information can be found on pages 56-62 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

*The District as a Whole*

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2016 and June 30, 2015.

	<u>Net Position</u>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 9,691,089	\$ 9,615,364
Capital assets, net	<u>5,806,991</u>	<u>6,084,028</u>
Total assets	<u>15,498,080</u>	<u>15,699,392</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>1,718,182</u>	<u>1,057,494</u>
Total deferred outflows of resources	<u>1,718,182</u>	<u>1,057,494</u>
Total assets and deferred outflows of resources	<u>17,216,262</u>	<u>16,756,886</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,615,493	1,562,230
Long-term liabilities:		
Due within one year	96,125	122,050
Due within more than one year:		
Net pension liability	16,673,284	14,697,593
Other amounts	<u>1,170,803</u>	<u>1,092,186</u>
Total liabilities	<u>19,555,705</u>	<u>17,474,059</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for the next fiscal year	2,783,438	3,021,539
Pensions	<u>1,147,217</u>	<u>2,673,411</u>
Total deferred inflows of resources	<u>3,930,655</u>	<u>5,694,950</u>
Total liabilities and deferred inflows of resources	<u>23,486,360</u>	<u>23,169,009</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	5,785,920	6,041,661
Restricted	406,906	409,654
Unrestricted (deficit)	<u>(12,462,924)</u>	<u>(12,863,438)</u>
Total net position (deficit)	<u>\$ (6,270,098)</u>	<u>\$ (6,412,123)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

During a prior year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68 and GASB 71, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

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

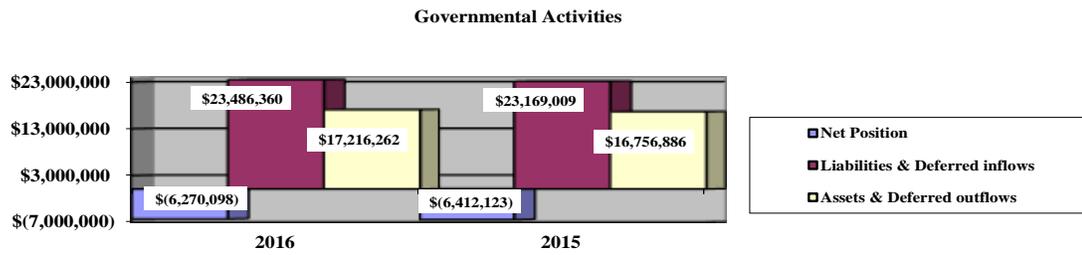
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$6,270,098.

At year-end, capital assets represented 37.47% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2016, was \$5,785,920. 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 position, \$406,906, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net position is \$12,462,924.

The graph below presents the District's assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2016 and 2015.



The table below shows the change in net position for fiscal years 2016 and 2015.

**Change in Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,595,273	\$ 1,406,562
Operating grants and contributions	1,417,665	1,371,073
General revenues:		
Property taxes	3,207,345	2,937,035
Income taxes	802,030	809,327
Grants and entitlements	6,833,503	6,832,981
Investment earnings	72,853	76,807
Other	<u>26,255</u>	<u>47,323</u>
Total revenues	<u>13,954,924</u>	<u>13,481,108</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Change in Net Position (Continued)**

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,914,230	\$ 5,563,891
Special	1,796,853	1,684,222
Vocational	232,273	223,368
Adult/continuing	5,685	5,200
Other	16,529	14,475
Support services:		
Pupil	619,327	573,614
Instructional staff	421,750	634,821
Board of education	100,171	69,378
Administration	1,081,210	891,725
Fiscal	346,943	336,651
Business	11,068	31,186
Operations and maintenance	1,102,321	1,276,184
Pupil transportation	893,330	817,744
Central	88,019	58,905
Operation of non-instructional services:		
Food service operations	584,386	584,686
Other non-instructional services	2,076	429
Extracurricular activities	594,108	571,053
Interest and fiscal charges	<u>2,620</u>	<u>4,252</u>
Total expenses	<u>13,812,899</u>	<u>13,341,784</u>
Change in net position	142,025	139,324
Net position (deficit) at beginning of year	<u>(6,412,123)</u>	<u>(6,551,447)</u>
Net position (deficit) at end of year	<u>\$ (6,270,098)</u>	<u>\$ (6,412,123)</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$142,025. Total governmental expenses of \$13,812,899 were offset by program revenues of \$3,012,938 and general revenues of \$10,941,986. Program revenues supported 21.81% of the total governmental expenses.

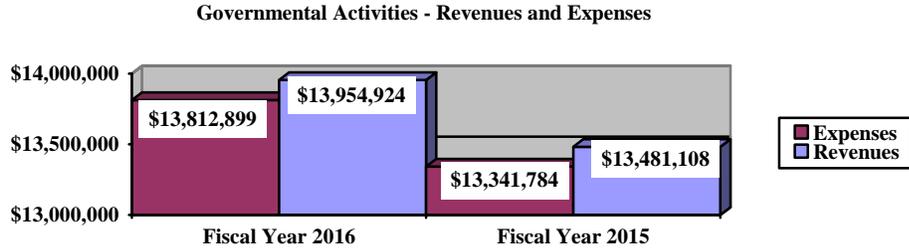
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 77.70% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,965,570 or 57.67% of total governmental expenses for fiscal year 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.



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.

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,914,230	\$ 4,909,059	\$ 5,563,891	\$ 4,635,299
Special	1,796,853	747,631	1,684,222	732,936
Vocational	232,273	182,002	223,368	170,728
Adult/continuing	5,685	5,685	5,200	5,200
Other	16,529	16,529	14,475	14,475
Support services:				
Pupil	619,327	614,211	573,614	569,731
Instructional staff	421,750	421,750	634,821	634,821
Board of education	100,171	100,171	69,378	69,378
Administration	1,081,210	1,073,627	891,725	887,248
Fiscal	346,943	346,943	336,651	336,651
Business	11,068	11,068	31,186	31,186
Operations and maintenance	1,102,321	1,065,583	1,276,184	1,265,714
Pupil transportation	893,330	893,330	817,744	817,377
Central	88,019	81,419	58,905	52,612
Operation of non-instructional services:				
Food service operations	584,386	(5,280)	584,686	1,921
Other non-instructional services	2,076	2,076	429	429
Extracurricular activities	594,108	331,537	571,053	334,191
Interest and fiscal charges	<u>2,620</u>	<u>2,620</u>	<u>4,252</u>	<u>4,252</u>
<b>Total expenses</b>	<u><u>\$ 13,812,899</u></u>	<u><u>\$ 10,799,961</u></u>	<u><u>\$ 13,341,784</u></u>	<u><u>\$ 10,564,149</u></u>

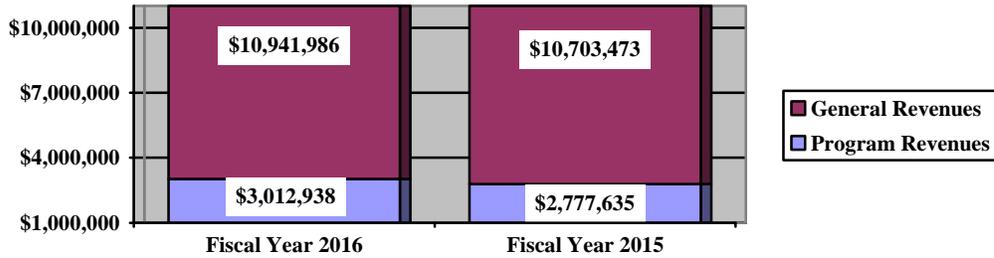
The dependence upon tax and other general revenues for governmental activities is apparent, 73.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.19%. The District's taxpayers and unrestricted grants and entitlements received from the State are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,018,975 which is higher than last year's total of \$4,717,371. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance June 30, 2015</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 4,378,303	\$ 4,378,991	\$ (688)	(0.02) %
Other governmental	<u>640,672</u>	<u>338,380</u>	<u>302,292</u>	89.34 %
Total	<u>\$ 5,018,975</u>	<u>\$ 4,717,371</u>	<u>\$ 301,604</u>	6.39 %

**General Fund**

The District's general fund balance decreased \$688. The table that follows assists in illustrating the revenues and expenditures of the general fund.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 2,886,830	\$ 2,657,087	\$ 229,743	8.65 %
Income taxes	802,030	809,327	(7,297)	(0.90) %
Tuition	986,045	843,237	142,808	16.94 %
Earnings on investments	73,846	76,807	(2,961)	(3.86) %
Intergovernmental	7,394,984	7,438,810	(43,826)	(0.59) %
Other revenues	<u>164,820</u>	<u>184,254</u>	<u>(19,434)</u>	(10.55) %
Total	<u>\$ 12,308,555</u>	<u>\$ 12,009,522</u>	<u>\$ 299,033</u>	2.49 %
<b><u>Expenditures</u></b>				
Instruction	\$ 7,449,788	\$ 6,939,315	\$ 510,473	7.36 %
Support services	4,447,392	4,416,495	30,897	0.70 %
Non-instructional services	2,076	429	1,647	383.92 %
Extracurricular activities	386,071	375,495	10,576	2.82 %
Facilities acquisition and construction	-	47	(47)	100.00 %
Debt service	<u>23,916</u>	<u>23,916</u>	<u>-</u>	0.03 %
Total	<u>\$ 12,309,243</u>	<u>\$ 11,755,697</u>	<u>\$ 553,546</u>	4.71 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The District experienced a \$299,033 or 2.49% increase in general fund revenues and an increase of \$553,546 or 4.71% in general fund expenditures. Property taxes increased \$229,743 or 8.65% due to higher collections of tax receipts in fiscal 2016. Other revenues decreased \$19,434 or 10.55% primarily due to a decrease in contract services and other local revenues. Tuition increased \$142,808 or 16.94% due to an increase in open enrollment throughout the District. Instruction expenditures increased \$510,473 or 7.36% primarily due to an increase in wages and benefits. All other revenues and expenditures remained consistent with prior year.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$11,698,472 and final budgeted revenues and other financing sources were \$12,428,000. Actual revenues and other financing sources for fiscal year 2016 were \$12,463,390. This represents a \$35,390 increase from final budgeted revenues.

General fund original appropriations of \$12,427,099 were decreased in the final appropriations and other financing uses to \$12,426,099. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$12,129,470, which was \$296,629 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$5,806,991 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2016 balances compared to June 30, 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 57,872	\$ 57,872
Land improvements	560,503	631,276
Building and improvements	4,483,562	4,630,979
Furniture and equipment	371,489	339,891
Vehicles	333,565	424,010
Total	\$ 5,806,991	\$ 6,084,028

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***Debt Administration***

In prior years, the District entered into capital lease transactions. The total amount outstanding at June 30, 2016 was \$21,071; \$21,071 is due within one year.

At June 30, 2016, the District's overall legal debt margin was \$14,005,184, and an unvoted debt margin of \$155,613.

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

**Current Financial Related Activities**

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

The Board's five-year projections indicate that the District will require additional operating income beginning in fiscal year 2021. Many factors impact this projection:

- Declining enrollment
- Health insurance premium increases
- Special education and excess costs increases
- No increases in State aid
- Increase in personal service costs

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. However, in 2013 the District did experience a slight increase in students and other community members. The Board of Education approved accepting open enrollment students in 2004. Currently the District is receiving more funds from students coming to the District as open enrollment students than it is losing due to students going open enrollment to other schools. Unfortunately continued reduced student counts could lead to staffing cuts in the future. This factor negatively impacts the operations of the District.

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 6,162,103
Receivables:	
Property taxes . . . . .	2,990,512
Income taxes . . . . .	358,202
Accounts . . . . .	2,122
Accrued interest . . . . .	10,485
Intergovernmental . . . . .	157,786
Prepayments . . . . .	348
Materials and supplies inventory. . . . .	1,244
Inventory held for resale. . . . .	8,287
Capital assets:	
Nondepreciable capital assets . . . . .	57,872
Depreciable capital assets, net. . . . .	5,749,119
Capital assets, net . . . . .	<u>5,806,991</u>
Total assets. . . . .	<u>15,498,080</u>
<b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	1,511,723
Pension - SERS . . . . .	206,459
Total deferred outflows of resources . . . . .	<u>1,718,182</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	24,684
Accrued wages and benefits payable . . . . .	1,402,977
Intergovernmental payable . . . . .	21,897
Pension and postemployment benefits payable . . . . .	165,935
Long-term liabilities:	
Due within one year. . . . .	96,125
Due in more than one year:	
Net pension liability. . . . .	16,673,284
Other amounts due in more than one year. . . . .	1,170,803
Total liabilities . . . . .	<u>19,555,705</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	2,783,438
Pension - STRS . . . . .	1,034,455
Pension - SERS . . . . .	112,762
Total deferred inflows of resources . . . . .	<u>3,930,655</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	5,785,920
Restricted for:	
Capital projects . . . . .	123,716
Locally funded programs . . . . .	53
Federally funded programs . . . . .	17,668
Student activities . . . . .	122,180
Other purposes . . . . .	143,289
Unrestricted (deficit) . . . . .	(12,462,924)
Total net position (deficit). . . . .	<u>\$ (6,270,098)</u>

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, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services and Sales</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,914,230	\$ 976,905	\$ 28,266	\$ (4,909,059)
Special . . . . .	1,796,853	68,563	980,659	(747,631)
Vocational . . . . .	232,273	-	50,271	(182,002)
Adult/continuing. . . . .	5,685	-	-	(5,685)
Other . . . . .	16,529	-	-	(16,529)
Support services:				
Pupil. . . . .	619,327	-	5,116	(614,211)
Instructional staff . . . . .	421,750	-	-	(421,750)
Board of education . . . . .	100,171	-	-	(100,171)
Administration. . . . .	1,081,210	-	7,583	(1,073,627)
Fiscal. . . . .	346,943	-	-	(346,943)
Business. . . . .	11,068	-	-	(11,068)
Operations and maintenance . . . . .	1,102,321	9,978	26,760	(1,065,583)
Pupil transportation. . . . .	893,330	-	-	(893,330)
Central . . . . .	88,019	-	6,600	(81,419)
Operation of non-instructional services:				
Other non-instructional services . . . . .	2,076	-	-	(2,076)
Food service operations . . . . .	584,386	277,256	312,410	5,280
Extracurricular activities. . . . .	594,108	262,571	-	(331,537)
Interest and fiscal charges . . . . .	2,620	-	-	(2,620)
<b>Total governmental activities . . . . .</b>	<b>\$ 13,812,899</b>	<b>\$ 1,595,273</b>	<b>\$ 1,417,665</b>	<b>(10,799,961)</b>
		<b>General revenues:</b>		
		Property taxes levied for:		
		General purposes . . . . .		2,875,830
		Capital outlay. . . . .		331,515
		School district income tax . . . . .		802,030
		Grants and entitlements not restricted		
		to specific programs . . . . .		6,833,503
		Investment earnings . . . . .		72,853
		Miscellaneous . . . . .		26,255
		<b>Total general revenues . . . . .</b>		<b>10,941,986</b>
		Change in net position . . . . .		142,025
		<b>Net position (deficit) at beginning of year . . . . .</b>		<b>(6,412,123)</b>
		<b>Net position (deficit) at end of year . . . . .</b>		<b>\$ (6,270,098)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 5,419,504	\$ 742,599	\$ 6,162,103
Receivables:			
Property taxes . . . . .	2,641,326	349,186	2,990,512
Income taxes . . . . .	358,202	-	358,202
Accounts . . . . .	2,122	-	2,122
Accrued interest . . . . .	10,485	-	10,485
Interfund loans . . . . .	50,000	-	50,000
Intergovernmental . . . . .	36,842	120,944	157,786
Prepayments . . . . .	348	-	348
Materials and supplies inventory . . . . .	-	1,244	1,244
Inventory held for resale . . . . .	-	8,287	8,287
Due from other funds . . . . .	37,945	-	37,945
Total assets . . . . .	<u>\$ 8,556,774</u>	<u>\$ 1,222,260</u>	<u>\$ 9,779,034</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 19,465	\$ 5,219	\$ 24,684
Accrued wages and benefits payable . . . . .	1,321,986	80,991	1,402,977
Intergovernmental payable . . . . .	21,098	799	21,897
Pension and postemployment benefits payable . . . . .	152,949	12,986	165,935
Interfund loans payable . . . . .	-	50,000	50,000
Due to other funds . . . . .	-	37,945	37,945
Total liabilities . . . . .	<u>1,515,498</u>	<u>187,940</u>	<u>1,703,438</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	2,455,358	328,080	2,783,438
Delinquent property tax revenue not available . . . . .	116,551	13,375	129,926
Income tax revenue not available . . . . .	52,439	-	52,439
Intergovernmental revenue not available . . . . .	36,842	52,193	89,035
Accrued interest not available . . . . .	1,783	-	1,783
Total deferred inflows of resources . . . . .	<u>2,662,973</u>	<u>393,648</u>	<u>3,056,621</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	-	1,244	1,244
Prepays . . . . .	348	-	348
Restricted:			
Capital improvements . . . . .	-	110,341	110,341
Food service operations . . . . .	-	158,360	158,360
Targeted academic assistance . . . . .	-	8,405	8,405
Other purposes . . . . .	-	53	53
Extracurricular . . . . .	-	122,180	122,180
Committed:			
Capital improvements . . . . .	-	270,331	270,331
Termination benefits . . . . .	271,226	-	271,226
Underground storage tank . . . . .	11,000	-	11,000
Assigned:			
Student instruction . . . . .	2,870	-	2,870
Student and staff support . . . . .	37,705	-	37,705
Public school support . . . . .	37,594	-	37,594
School supplies . . . . .	320	-	320
Subsequent year's appropriations . . . . .	553,056	-	553,056
Adult education . . . . .	2,114	-	2,114
Other purposes . . . . .	10,412	-	10,412
Unassigned (deficit) . . . . .	<u>3,451,658</u>	<u>(30,242)</u>	<u>3,421,416</u>
Total fund balances . . . . .	<u>4,378,303</u>	<u>640,672</u>	<u>5,018,975</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,556,774</u>	<u>\$ 1,222,260</u>	<u>\$ 9,779,034</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$ 5,018,975
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,806,991
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 129,926	
Income taxes receivable	52,439	
Accrued interest receivable	1,783	
Intergovernmental receivable	89,035	
Total	273,183	273,183
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	1,718,182	
Deferred inflows of resources - pension	(1,147,217)	
Net pension liability	(16,673,284)	(16,102,319)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,245,857)	
Capital lease payable	(21,071)	
Total	(1,266,928)	(1,266,928)
<b>Net position (deficit) of governmental activities</b>		<b>\$ (6,270,098)</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, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 2,886,830	\$ 333,851	\$ 3,220,681
Income taxes . . . . .	802,030	-	802,030
Tuition . . . . .	986,045	-	986,045
Transportation fees . . . . .	22,934	-	22,934
Earnings on investments . . . . .	73,846	964	74,810
Charges for services . . . . .	-	277,256	277,256
Extracurricular . . . . .	69,164	193,407	262,571
Classroom materials and fees . . . . .	25,856	-	25,856
Rental income . . . . .	9,978	-	9,978
Contributions and donations . . . . .	23,944	-	23,944
Contract services . . . . .	10,633	-	10,633
Other local revenues . . . . .	2,311	-	2,311
Intergovernmental - intermediate . . . . .	-	3,000	3,000
Intergovernmental - state . . . . .	7,301,633	82,007	7,383,640
Intergovernmental - federal . . . . .	93,351	798,246	891,597
<b>Total revenues . . . . .</b>	<b>12,308,555</b>	<b>1,688,731</b>	<b>13,997,286</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,709,933	61,205	5,771,138
Special . . . . .	1,498,467	326,202	1,824,669
Vocational . . . . .	219,042	-	219,042
Adult/continuing . . . . .	5,817	-	5,817
Other . . . . .	16,529	-	16,529
Support services:			
Pupil . . . . .	610,723	3,875	614,598
Instructional staff . . . . .	410,750	-	410,750
Board of education . . . . .	100,460	-	100,460
Administration . . . . .	1,075,258	5,744	1,081,002
Fiscal . . . . .	357,662	8,115	365,777
Business . . . . .	-	3,781	3,781
Operations and maintenance . . . . .	1,004,372	26,760	1,031,132
Pupil transportation . . . . .	806,031	-	806,031
Central . . . . .	82,136	6,547	88,683
Operation of non-instructional services:			
Other operation of non-instructional . . . . .	2,076	-	2,076
Food service operations . . . . .	-	580,456	580,456
Extracurricular activities . . . . .	386,071	145,952	532,023
Facilities acquisition and construction . . . . .	-	217,802	217,802
Debt service:			
Principal retirement . . . . .	21,296	-	21,296
Interest and fiscal charges . . . . .	2,620	-	2,620
<b>Total expenditures . . . . .</b>	<b>12,309,243</b>	<b>1,386,439</b>	<b>13,695,682</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(688)	302,292	301,604
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	85,831	85,831
Transfers (out) . . . . .	-	(85,831)	(85,831)
<b>Total other financing sources (uses) . . . . .</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances . . . . .	(688)	302,292	301,604
<b>Fund balances at beginning of year . . . . .</b>	<b>4,378,991</b>	<b>338,380</b>	<b>4,717,371</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 4,378,303</b>	<b>\$ 640,672</b>	<b>\$ 5,018,975</b>

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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	301,604
<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.		
Capital asset additions	\$ 218,858	
Current year depreciation	<u>(495,895)</u>	
Total		(277,037)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(20,013)	
Income taxes	6,677	
Earnings on investments	(993)	
Intergovernmental	<u>(26,712)</u>	
Total		(41,041)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amount as deferred outflows.		
		989,276
Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(778,085)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		21,296
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(73,988)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>142,025</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 BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,524,937	\$ 2,723,644	\$ 2,905,083	\$ 181,439
Income taxes . . . . .	738,500	796,619	819,436	22,817
Tuition . . . . .	807,741	871,310	985,333	114,023
Transportation fees . . . . .	11,439	12,339	22,934	10,595
Earnings on investments . . . . .	64,551	68,573	66,735	(1,838)
Classroom materials and fees . . . . .	20,572	22,191	26,472	4,281
Rental income . . . . .	7,765	8,376	9,927	1,551
Contributions and donations . . . . .	21,330	23,009	23,944	935
Contract services . . . . .	18,889	10,773	10,633	(140)
Other local revenues . . . . .	441	-	2,386	2,386
Intergovernmental - state . . . . .	7,083,277	7,634,549	7,294,690	(339,859)
Intergovernmental - federal . . . . .	51,030	55,046	93,351	38,305
Total revenues . . . . .	<u>11,350,472</u>	<u>12,226,429</u>	<u>12,260,924</u>	<u>34,495</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,739,553	5,735,461	5,668,542	66,919
Special . . . . .	1,487,996	1,487,844	1,491,540	(3,696)
Vocational . . . . .	222,728	222,566	219,303	3,263
Adult/continuing . . . . .	3,699	3,696	3,894	(198)
Other . . . . .	14,567	14,556	17,517	(2,961)
Support services:				
Pupil . . . . .	551,497	558,126	587,396	(29,270)
Instructional staff . . . . .	656,555	656,077	427,173	228,904
Board of education . . . . .	76,697	76,641	99,758	(23,117)
Administration . . . . .	977,268	976,556	1,085,460	(108,904)
Fiscal . . . . .	333,850	333,607	362,711	(29,104)
Operations and maintenance . . . . .	1,165,596	1,164,747	1,023,481	141,266
Pupil transportation . . . . .	823,780	823,179	766,875	56,304
Central . . . . .	58,572	58,530	55,692	2,838
Extracurricular activities . . . . .	314,741	314,512	320,128	(5,616)
Total expenditures . . . . .	<u>12,427,099</u>	<u>12,426,099</u>	<u>12,129,470</u>	<u>296,629</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,076,627)</u>	<u>(199,670)</u>	<u>131,454</u>	<u>331,124</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	20,343	1,210	1,210	-
Advances in . . . . .	326,000	200,000	200,000	-
Sale of capital assets . . . . .	1,657	361	1,256	895
Total other financing sources (uses) . . . . .	<u>348,000</u>	<u>201,571</u>	<u>202,466</u>	<u>895</u>
Net change in fund balance . . . . .	(728,627)	1,901	333,920	332,019
<b>Fund balance at beginning of year . . . . .</b>	<b>4,652,991</b>	<b>4,652,991</b>	<b>4,652,991</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>54,815</b>	<b>54,815</b>	<b>54,815</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,979,179</u></b>	<b><u>\$ 4,709,707</u></b>	<b><u>\$ 5,041,726</u></b>	<b><u>\$ 332,019</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 79,933
Receivables:	
Accounts . . . . .	211,767
Total assets. . . . .	\$ 291,700
 <b>Liabilities:</b>	
Accounts payable. . . . .	\$ 7,575
Due to students. . . . .	284,125
Total liabilities . . . . .	\$ 291,700

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 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 and mandated by State and federal agencies. The Board of Education controls the District's one instructional/support facility staffed by 45 non-certified employees and 105 certified employees who provide services to 1,199 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'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” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Education Service System (ACCESS)

The Area Cooperative Education Service System (ACCESS) is a computer network which provides data services to twenty-six school districts and two educational service centers. 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 100 DeBartolo, Suite 222, Youngstown, Ohio 44512.

Columbiana County Career and Technical Center

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

*PUBLIC ENTITY RISK POOLS*

Ohio Association School Business Officials Workers' Compensation Group Rating Program

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Portage Area School Consortium

The Portage Area School Consortium (the "Consortium") was established in 1981 so that 12 educational service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Health and Welfare Trust is organized under the provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. Also, the insurance agreement with Portage County School Consortium provides that the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing Board as provided in the Consortium's enabling authority. The Portage County Educational Service Center acted as the fiscal agent for the consortium through June 30, 2015. As of July 1, 2015, Field Local School District became fiscal agent. To obtain financial information, write to the Field Local School District, Todd Carpenter, who serves as Treasurer, at 2900 State Route 43, Mogadore, Ohio 44260.

**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.

*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 deferred outflows of resources, liabilities and deferred inflows of resources are reported as fund balance. The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest and (c) financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*PROPRIETARY FUNDS*

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 proprietary funds.

*FIDUCIARY FUNDS*

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

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

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

The 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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. 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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

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, 2016

**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. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 for deferred outflows of resources related the District's net pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2016.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate of estimated resources is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2016; however, none of the amendments were significant.

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

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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 are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

During fiscal year 2016, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), and negotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2016. 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 shares price which is the price the investment could be sold for on June 30, 2016.

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 2016 amounted to \$73,846, which includes \$8,984 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables” and “due to/due from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

**L. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for the food service fund.

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

**N. Prepayments**

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

**O. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**P. Interfund Activity**

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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.

**Q. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**S. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 30,242

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**UNITED LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

The District had \$420 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$794,632. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$589,542 of the District’s bank balance of \$839,542 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CD's	\$ 4,614,493	\$ 406,876	\$ 847,204	\$ 1,750,038	\$ 697,153	\$ 913,222
STAR Ohio	832,491	832,491	-	-	-	-
Total	<u>\$ 5,446,984</u>	<u>\$ 1,239,367</u>	<u>\$ 847,204</u>	<u>\$ 1,750,038</u>	<u>\$ 697,153</u>	<u>\$ 913,222</u>

The average maturity of investments is 1.23 years.

The District’s investments in negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

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

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 4,614,493	84.72
STAR Ohio	<u>832,491</u>	<u>15.28</u>
Total	<u>\$ 5,446,984</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	794,632
Investments		5,446,984
Cash on hand		<u>420</u>
Total	\$	<u>6,242,036</u>
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$	6,162,103
Agency funds		<u>79,933</u>
Total	\$	<u>6,242,036</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	<u>\$ 50,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 loans between governmental funds are eliminated on the statement of net position thus there are no internal balances.

**B.** Due to/from other funds consisted of the following at June 30, 2016, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 37,945</u>

The primary purpose of the amount due to the general fund from nonmajor governmental funds was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**C.** Interfund transfers at June 30, 2016, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Transfers from nonmajor governmental fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 85,831</u>

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

The transfer from the debt service fund (a nonmajor governmental) fund to the permanent improvement fund (a nonmajor governmental fund) was a residual equity transfer to close out the fund.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$69,417 in the general fund and \$7,731 in the permanent improvement fund (a non-major governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$87,670 in the general fund and \$9,691 in the permanent improvement fund (a non-major governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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 inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 129,736,050	91.72	\$ 141,855,680	91.16
Public utility personal	<u>11,707,990</u>	<u>8.28</u>	<u>13,757,480</u>	<u>8.84</u>
Total	<u>\$ 141,444,040</u>	<u>100.00</u>	<u>\$ 155,613,160</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.60		\$30.60	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - INCOME TAX**

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$802,030 has been credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. 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 position follows:

**Governmental activities:**

Property taxes	\$ 2,990,512
Income taxes	358,202
Accounts	2,122
Intergovernmental	157,786
Accrued interest	<u>10,485</u>
Total	<u>\$ 3,519,107</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/16</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 57,872	\$ -	\$ -	\$ 57,872
Total capital assets, not being depreciated	<u>57,872</u>	<u>-</u>	<u>-</u>	<u>57,872</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,822,216	-	-	1,822,216
Buildings and improvements	10,632,229	104,170	-	10,736,399
Furniture and equipment	1,831,224	114,688	-	1,945,912
Vehicles	<u>1,268,972</u>	<u>-</u>	<u>-</u>	<u>1,268,972</u>
Total capital assets, being depreciated	<u>15,554,641</u>	<u>218,858</u>	<u>-</u>	<u>15,773,499</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,190,940)	(70,773)	-	(1,261,713)
Buildings and improvements	(6,001,250)	(251,587)	-	(6,252,837)
Furniture and equipment	(1,491,333)	(83,090)	-	(1,574,423)
Vehicles	<u>(844,962)</u>	<u>(90,445)</u>	<u>-</u>	<u>(935,407)</u>
Total accumulated depreciation	<u>(9,528,485)</u>	<u>(495,895)</u>	<u>-</u>	<u>(10,024,380)</u>
Governmental activities capital assets, net	<u>\$ 6,084,028</u>	<u>\$ (277,037)</u>	<u>\$ -</u>	<u>\$ 5,806,991</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 186,781
Special	18,575
Vocational	14,774
<u>Support services:</u>	
Pupil	4,547
Instructional staff	6,802
Administration	21,245
Fiscal	1,760
Business	7,287
Operations and maintenance	49,160
Pupil transportation	96,804
Extracurricular activities	72,540
Food service operations	<u>15,620</u>
Total depreciation expense	<u>\$ 495,895</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

During fiscal year 2012 and in prior years, the District entered into a capitalized lease for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets acquired by lease have been capitalized in the amount of \$205,811, which is equal to the present value of the future minimum payments as of the date of their inception. Accumulated depreciation as of June 30, 2016 was \$181,238 leaving a current book value of \$24,573. A corresponding liability was recorded and is presented as a component of long-term liabilities on the statement of net position. Principal payments in fiscal year 2016 totaled \$21,296 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ <u>21,923</u>
Total minimum lease payments	21,923
Less: interest	<u>(852)</u>
Present value	<u>\$ 21,071</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2016, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>6/30/16</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 1,171,869	\$ 297,142	\$ (223,154)	\$ 1,245,857	\$ 75,054
Capital lease obligation	42,367	-	(21,296)	21,071	21,071
Net pension liability	<u>14,697,593</u>	<u>1,975,691</u>	<u>-</u>	<u>16,673,284</u>	<u>-</u>
Total long-term obligations, governmental activities	<u>\$ 15,911,829</u>	<u>\$2,272,833</u>	<u>\$ (244,450)</u>	<u>\$ 17,940,212</u>	<u>\$ 96,125</u>

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

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

Net pension liability - See Note 14 for details.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$14,005,184 and an unvoted debt margin of \$155,613.

**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 administrators on the anniversary of their employment. Classified employees are credited monthly. Vacation days must be used within the next twelve months. Classified staff can carry over five days and administrators can carry over ten days to the next school year. Administrators can be paid for a maximum of five unused vacation days. Accumulated unused vacation time is paid to administrators and classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and 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 per negotiated agreement.

**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 2016, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

**C. Employee Medical Benefits**

The District is a member of the Portage Area School Consortium (the "Consortium"), a risk sharing pool (see Note 2A), through which a cooperative Health Benefit Program was created for the benefits of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the District were to withdraw from the pool. If the reserve would not cover such claims, the District would be liable for any costs above the reserve.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**UNITED LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**UNITED LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$170,395 for fiscal year 2016. Of this amount, \$13,548 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$818,881 for fiscal year 2016. Of this amount, \$136,128 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,219,495	\$ 14,453,789	\$ 16,673,284
Proportion of the net pension liability	0.03889690%	0.05229855%	
Pension expense	\$ 127,784	\$ 650,301	\$ 778,085

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 36,064	\$ 658,648	\$ 694,712
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	-	34,194	34,194
District contributions subsequent to the measurement date	170,395	818,881	989,276
Total deferred outflows of resources	\$ 206,459	\$ 1,511,723	\$ 1,718,182
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 78,967	\$ 1,034,455	\$ 1,113,422
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	33,795	-	33,795
Total deferred inflows of resources	\$ 112,762	\$ 1,034,455	\$ 1,147,217

\$989,276 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (39,259)	\$ (224,438)	\$ (263,697)
2018	(39,259)	(224,438)	(263,697)
2019	(39,260)	(224,439)	(263,699)
2020	41,080	331,702	372,782
Total	\$ (76,698)	\$ (341,613)	\$ (418,311)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**UNITED LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,077,642	\$ 2,219,495	\$ 1,496,864

**Changes Between Measurement Date and Report Date** - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 20,077,404	\$ 14,453,789	\$ 9,698,185

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$20,420.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$20,420, \$30,036, and \$20,574, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$55,626, respectively. The full amount has been contributed for fiscal year 2014.

**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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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	\$ 333,920
Net adjustment for revenue accruals	(23,047)
Net adjustment for expenditure accruals	(130,410)
Net adjustment for other sources/uses	(202,466)
Funds budgeted elsewhere	(29,731)
Adjustment for encumbrances	51,046
GAAP basis	\$ (688)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the sunshine fund, the special rotary fund, the adult education fund, the uniform school supplies fund, the public school support fund, the self insurance fund and the State or political subdivision fund.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	213,333
Current year qualifying expenditures	<u>(331,576)</u>
Total	<u>\$ (118,243)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 51,046
Other governmental	<u>52,269</u>
Total	<u>\$ 103,315</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03889690%	0.03977800%	0.03977800%
District's proportionate share of the net pension liability	\$ 2,219,495	\$ 2,013,142	\$ 2,365,470
District's covered-employee payroll	\$ 1,171,002	\$ 1,155,887	\$ 1,089,147
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.16%	217.19%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05229855%	0.05214904%	0.05214904%
District's proportionate share of the net pension liability	\$ 14,453,789	\$ 12,684,451	\$ 15,109,635
District's covered-employee payroll	\$ 5,456,479	\$ 5,328,192	\$ 5,881,446
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	256.90%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 170,395	\$ 154,338	\$ 160,206	\$ 150,738
Contributions in relation to the contractually required contribution	<u>(170,395)</u>	<u>(154,338)</u>	<u>(160,206)</u>	<u>(150,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,217,107	\$ 1,171,002	\$ 1,155,887	\$ 1,089,147
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 142,851	\$ 128,671	\$ 139,875	\$ 98,851	\$ 98,758	\$ 107,271
<u>(142,851)</u>	<u>(128,671)</u>	<u>(139,875)</u>	<u>(98,851)</u>	<u>(98,758)</u>	<u>(107,271)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,062,089	\$ 1,023,636	\$ 1,033,050	\$ 1,004,583	\$ 1,005,682	\$ 1,004,410
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 818,881	\$ 763,907	\$ 692,665	\$ 764,588
Contributions in relation to the contractually required contribution	<u>(818,881)</u>	<u>(763,907)</u>	<u>(692,665)</u>	<u>(764,588)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,849,150	\$ 5,456,479	\$ 5,328,192	\$ 5,881,446
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 801,635	\$ 803,316	\$ 795,656	\$ 779,225	\$ 780,417	\$ 757,609
<u>(801,635)</u>	<u>(803,316)</u>	<u>(795,656)</u>	<u>(779,225)</u>	<u>(780,417)</u>	<u>(757,609)</u>
<u>\$ -</u>					
\$ 6,166,423	\$ 6,179,354	\$ 6,120,431	\$ 5,994,038	\$ 6,003,208	\$ 5,827,762
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the United Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2017.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 15, 2017

**UNITED LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016**

**1. Ohio Admin. Code Section 117-2-02 (D)(4)(c)**

<i>Finding Number</i>	2016-001
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SIGNIFICANT DEFICIENCY

Ohio Admin. Code Section 117-2-02 (D)(4)(c) states that all local public offices should maintain or provide capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local public offices preparing financial statements using generally accepted accounting principles will want to maintain additional data.

The District contracted with a valuation firm to compile a detailed asset listing as of June 30, 2016. This listing was not used to calculate the capital asset figure recorded on the financial statements. A difference of \$615,007 was noted between the valuation firm total and the financial statement amount. However, the valuation firm listing did not include land and 2016 additions net of depreciation totaling \$171,654, which were properly included in the financial statements. As a result, net capital assets reported in the financial statements are overstated by \$443,353.

Without an accurate and complete listing of capital assets, the District cannot properly calculate the book value, depreciation expense and accumulated depreciation of these assets for its financial statements. Also, it is possible the assets of the District could be misplaced or stolen and not reported.

To reduce the risk the District's assets may be misstated and to maintain adequate safeguards over capital assets, the District should develop and implement procedures to be performed throughout the year for the recording and updating of capital assets. These procedures should include tagging all capital assets meeting the capitalization threshold established by the Board. Further, addition and disposal forms should be completed and approved by management when assets are acquired and retired. This information should then be entered into a capital asset accounting system and include such information as the tag number, location of the asset, description of the item, cost, acquisition date, and any other pertinent information. Periodic physical inventories should be performed to compare capital assets listed on the accounting system to the items on hand. Any discrepancies should be investigated.

**Official's Response:**

The United Local School District currently outsources the preparation of our GAAP financial statements. The District also had a District wide appraisal completed in 2015 by an outside vendor. The information on that appraisal was incorrect in regards to the acreage owned by the District. The Treasurer has been actively in contract with the appraisal company along with the GAAP convertor to make sure this has been corrected. All items will be reviewed and an adjustment will be made in next year's financial statements. The appraisal will be thoroughly reviewed with the GAAP provider before submission. Please note that the Treasurer provides monthly financial reports to the board and to the public on a cash basis and these errors were not related to those financial statements. This immaterial issue from the GAAP statement has had no impact on the District's dealing with bond underwriters, banks, or vendors. Providing financial statements on a GAAP basis is something that the ORC requires, yet not all districts in Ohio opt to report this way.

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# Dave Yost • Auditor of State

**UNITED LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 28, 2017**