



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the United Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the United Local School District, Columbiana County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 27, 2002

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**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 4,210,529	\$ 100,287	\$ 77,845	\$ 258,540
Cash with fiscal agent	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	2,128,688	-	45,595	206,806
Accounts	846	99	-	-
Accrued interest	1,200	-	-	-
Interfund loan receivable	321,457	-	-	-
Due from other governments	1,041	289,813	26	106
Advances to other funds	546,914	-	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	22,022	-	-	-
Inventory held for resale	-	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	62,146	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 7,294,843</u>	<u>\$ 390,199</u>	<u>\$ 123,466</u>	<u>\$ 465,452</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 12,436	\$ 9,415	\$ -	\$ 43,179
Accrued wages and benefits	963,558	47,894	-	-
Compensated absences payable	16,130	-	-	-
Pension obligation payable	111,740	5,454	-	-
Interfund loan payable	-	196,457	-	125,000
Advances from other funds	-	-	-	546,914
Claims payable	-	-	-	-
Deferred revenue	1,787,735	230,958	42,074	192,608
Due to other governments	22,061	1,153	-	2
Due to students	-	-	-	-
Energy conservation loan payable	-	-	-	-
Capital lease obligation payable	-	-	-	-
Total liabilities	<u>2,913,660</u>	<u>491,331</u>	<u>42,074</u>	<u>907,703</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit): unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	19,373	11,071	-	8,018
Reserved for prepayments	22,022	-	-	-
Reserved for advances	546,914	-	-	-
Reserved for debt service	-	-	77,871	-
Reserved for tax revenue unavailable for appropriation	140,876	-	3,521	14,198
Reserved for BWC refunds	62,146	-	-	-
Designated for underground storage	11,000	-	-	-
Unreserved-undesignated (deficit)	3,578,852	(112,203)	-	(464,467)
Total equity and other credits	<u>4,381,183</u>	<u>(101,132)</u>	<u>81,392</u>	<u>(442,251)</u>
Total liabilities, equity and other credits	<u>\$ 7,294,843</u>	<u>\$ 390,199</u>	<u>\$ 123,466</u>	<u>\$ 465,452</u>

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 43,001	\$ 6,859	\$ 129,013	\$ -	\$ -	\$ 4,826,074
-	544,033	-	-	-	544,033
-	-	-	-	-	2,381,089
-	-	-	-	-	945
-	-	-	-	-	1,200
-	-	-	-	-	321,457
-	-	-	-	-	290,986
-	-	-	-	-	546,914
1,666	-	-	-	-	1,666
-	-	-	-	-	22,022
4,208	-	-	-	-	4,208
-	-	-	-	-	62,146
32,221	-	-	12,910,309	-	12,942,530
-	-	-	-	81,392	81,392
-	-	-	-	559,270	559,270
<u>\$ 81,096</u>	<u>\$ 550,892</u>	<u>\$ 129,013</u>	<u>\$ 12,910,309</u>	<u>\$ 640,662</u>	<u>\$ 22,585,932</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,030
44,959	-	-	-	-	1,056,411
7,645	-	-	-	498,037	521,812
10,062	-	-	-	40,979	168,235
-	-	-	-	-	321,457
-	-	-	-	-	546,914
-	41,904	-	-	-	41,904
4,208	-	-	-	-	2,257,583
525	-	85,981	-	-	109,722
-	-	43,032	-	-	43,032
-	-	-	-	25,861	25,861
-	-	-	-	75,785	75,785
<u>67,399</u>	<u>41,904</u>	<u>129,013</u>	<u>-</u>	<u>640,662</u>	<u>5,233,746</u>
-	-	-	12,910,309	-	12,910,309
55,686	-	-	-	-	55,686
(41,989)	508,988	-	-	-	466,999
-	-	-	-	-	38,462
-	-	-	-	-	22,022
-	-	-	-	-	546,914
-	-	-	-	-	77,871
-	-	-	-	-	158,595
-	-	-	-	-	62,146
-	-	-	-	-	11,000
-	-	-	-	-	3,002,182
<u>13,697</u>	<u>508,988</u>	<u>-</u>	<u>12,910,309</u>	<u>-</u>	<u>17,352,186</u>
<u>\$ 81,096</u>	<u>\$ 550,892</u>	<u>\$ 129,013</u>	<u>\$ 12,910,309</u>	<u>\$ 640,662</u>	<u>\$ 22,585,932</u>

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
From local sources:					
Taxes	\$ 1,869,338	\$ -	\$ 44,809	\$ 201,841	\$ 2,115,988
Income taxes	492,383	-	-	-	492,383
Tuition	26,379	-	-	-	26,379
Earnings on investments	128,471	-	-	-	128,471
Extracurricular	2,077	190,524	-	-	192,601
Other local revenues	35,485	16,212	-	25,831	77,528
Intergovernmental - State	6,355,678	132,775	5,995	152,745	6,647,193
Intergovernmental - Federal	975	274,742	-	-	275,717
Total revenue	<u>8,910,786</u>	<u>614,253</u>	<u>50,804</u>	<u>380,417</u>	<u>9,956,260</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,479,642	84,511	-	46,043	4,610,196
Special	774,300	412,740	-	-	1,187,040
Vocational	232,326	14,579	-	-	246,905
Other	192,535	-	-	-	192,535
Support services:					
Pupil	346,229	22,438	-	-	368,667
Instructional staff	217,243	-	-	-	217,243
Board of Education	62,316	-	-	-	62,316
Administration	598,448	18,950	-	-	617,398
Fiscal	196,751	693	863	4,050	202,357
Business	-	-	-	5,900	5,900
Operations and maintenance	745,109	-	-	-	745,109
Pupil transportation	511,406	-	-	-	511,406
Central	7,083	22,958	-	66,092	96,133
Community services	65	-	-	-	65
Extracurricular activities	235,458	209,191	-	-	444,649
Facilities acquisition and construction	-	-	-	180,819	180,819
Debt service:					
Principal retirement	27,420	-	26,511	-	53,931
Interest and fiscal charges	-	-	3,066	-	3,066
Total expenditures	<u>8,626,331</u>	<u>786,060</u>	<u>30,440</u>	<u>302,904</u>	<u>9,745,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>284,455</u>	<u>(171,807)</u>	<u>20,364</u>	<u>77,513</u>	<u>210,525</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	172,473	172,473
Operating transfers out	(119,842)	(52,631)	-	-	(172,473)
Proceeds from sale of fixed assets	1,432	-	-	-	1,432
Total other financing sources (uses)	<u>(118,410)</u>	<u>(52,631)</u>	<u>-</u>	<u>172,473</u>	<u>1,432</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	166,045	(224,438)	20,364	249,986	211,957
Fund balances (deficit), July 1	<u>4,215,138</u>	<u>123,306</u>	<u>61,028</u>	<u>(692,237)</u>	<u>3,707,235</u>
Fund balances (deficits), June 30	<u>\$ 4,381,183</u>	<u>\$ (101,132)</u>	<u>\$ 81,392</u>	<u>\$ (442,251)</u>	<u>\$ 3,919,192</u>

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

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**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 1,782,461	\$ 1,782,462	\$ 1	\$ -	\$ -	\$ -
Income taxes	487,884	487,884	-	-	-	-
Tuition	26,391	26,391	-	-	-	-
Earnings on investments	121,023	129,186	8,163	-	-	-
Extracurricular	2,171	2,186	15	190,131	190,637	506
Other local revenues	34,883	35,214	331	16,212	16,212	-
Intergovernmental - State	6,355,459	6,355,612	153	132,776	132,776	-
Intergovernmental - Federal	975	975	-	143,323	143,323	-
Total revenues	<u>8,811,247</u>	<u>8,819,910</u>	<u>8,663</u>	<u>482,442</u>	<u>482,948</u>	<u>506</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,484,419	4,481,998	2,421	96,289	93,059	3,230
Special	809,781	760,407	49,374	311,730	311,730	-
Vocational	231,159	230,804	355	14,606	14,606	-
Other	194,758	194,540	218	-	-	-
Support services:						
Pupil	347,251	346,473	778	24,726	22,515	2,211
Instructional staff	238,451	230,925	7,526	-	-	-
Board of Education	65,770	65,660	110	-	-	-
Administration	601,338	600,343	995	20,179	20,268	(89)
Fiscal	199,082	198,854	228	694	694	-
Operations and maintenance	751,957	750,453	1,504	-	-	-
Pupil transportation	511,202	510,323	879	-	-	-
Central	7,121	7,083	38	36,557	36,557	-
Community services	920	915	5	-	-	-
Extracurricular activities	234,555	234,480	75	217,412	216,789	623
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,677,764</u>	<u>8,613,258</u>	<u>64,506</u>	<u>722,193</u>	<u>716,218</u>	<u>5,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>133,483</u>	<u>206,652</u>	<u>73,169</u>	<u>(239,751)</u>	<u>(233,270)</u>	<u>6,481</u>
Other financing sources (uses):						
Advances in	262,000	262,000	-	196,457	196,457	-
Advances out	(196,457)	(196,457)	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(119,842)	(119,842)	-	(52,631)	(52,631)	-
Proceeds from sale of fixed assets	1,394	1,432	38	-	-	-
Refund of prior year expenditure	152	162	10	-	-	-
Total other financing sources (uses)	<u>(52,753)</u>	<u>(52,705)</u>	<u>48</u>	<u>143,826</u>	<u>143,826</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>80,730</u>	<u>153,947</u>	<u>73,217</u>	<u>(95,925)</u>	<u>(89,444)</u>	<u>6,481</u>
Fund balances, July 1	4,052,065	4,052,065	-	138,794	138,794	-
Prior year encumbrances appropriated	<u>35,172</u>	<u>35,172</u>	<u>-</u>	<u>30,652</u>	<u>30,652</u>	<u>-</u>
Fund balances, June 30	<u>\$ 4,167,967</u>	<u>\$ 4,241,184</u>	<u>\$ 73,217</u>	<u>\$ 73,521</u>	<u>\$ 80,002</u>	<u>\$ 6,481</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 42,539	\$ 42,539	\$ -	\$ 193,857	\$ 193,857	\$ -	\$ 2,018,857	\$ 2,018,858	\$ 1
-	-	-	-	-	-	487,884	487,884	-
-	-	-	-	-	-	26,391	26,391	-
-	-	-	-	-	-	121,023	129,186	8,163
-	-	-	-	-	-	192,302	192,823	521
-	-	-	25,831	25,831	-	76,926	77,257	331
5,969	5,969	-	152,639	152,639	-	6,646,843	6,646,996	153
-	-	-	-	-	-	144,298	144,298	-
<u>48,508</u>	<u>48,508</u>	<u>-</u>	<u>372,327</u>	<u>372,327</u>	<u>-</u>	<u>9,714,524</u>	<u>9,723,693</u>	<u>9,169</u>
-	-	-	50,920	46,044	4,876	4,631,628	4,621,101	10,527
-	-	-	-	-	-	1,121,511	1,072,137	49,374
-	-	-	-	-	-	245,765	245,410	355
-	-	-	-	-	-	194,758	194,540	218
-	-	-	-	-	-	371,977	368,988	2,989
-	-	-	-	-	-	238,451	230,925	7,526
-	-	-	-	-	-	65,770	65,660	110
-	-	-	-	-	-	621,517	620,611	906
875	863	12	4,055	4,050	5	204,706	204,461	245
-	-	-	5,900	5,900	-	757,857	756,353	1,504
-	-	-	-	-	-	511,202	510,323	879
-	-	-	82,321	66,089	16,232	125,999	109,729	16,270
-	-	-	-	-	-	920	915	5
-	-	-	-	-	-	451,967	451,269	698
-	-	-	351,187	351,057	130	351,187	351,057	130
26,511	26,511	-	-	-	-	26,511	26,511	-
3,089	3,066	23	-	-	-	3,089	3,066	23
<u>30,475</u>	<u>30,440</u>	<u>35</u>	<u>494,383</u>	<u>473,140</u>	<u>21,243</u>	<u>9,924,815</u>	<u>9,833,056</u>	<u>91,759</u>
<u>18,033</u>	<u>18,068</u>	<u>35</u>	<u>(122,056)</u>	<u>(100,813)</u>	<u>21,243</u>	<u>(210,291)</u>	<u>(109,363)</u>	<u>100,928</u>
-	-	-	-	-	-	458,457	458,457	-
-	-	-	(262,000)	(262,000)	-	(458,457)	(458,457)	-
-	-	-	172,473	172,473	-	172,473	172,473	-
-	-	-	-	-	-	(172,473)	(172,473)	-
-	-	-	-	-	-	1,394	1,432	38
-	-	-	-	-	-	152	162	10
-	-	-	<u>(89,527)</u>	<u>(89,527)</u>	<u>-</u>	<u>1,546</u>	<u>1,594</u>	<u>48</u>
18,033	18,068	35	(211,583)	(190,340)	21,243	(208,745)	(107,769)	100,976
59,777	59,777	-	65,495	65,495	-	4,316,131	4,316,131	-
-	-	-	332,188	332,188	-	398,012	398,012	-
<u>\$ 77,810</u>	<u>\$ 77,845</u>	<u>\$ 35</u>	<u>\$ 186,100</u>	<u>\$ 207,343</u>	<u>\$ 21,243</u>	<u>\$ 4,505,398</u>	<u>\$ 4,606,374</u>	<u>\$ 100,976</u>

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Sales	\$ 262,935	\$ -	\$ 262,935
Charges for services	<u>-</u>	<u>1,040,323</u>	<u>1,040,323</u>
Total operating revenues	<u>262,935</u>	<u>1,040,323</u>	<u>1,303,258</u>
Operating expenses:			
Personal services	253,239	44,717	297,956
Contract services	3,734	-	3,734
Materials and supplies	212,888	-	212,888
Depreciation	5,394	-	5,394
Claims expense	-	787,195	787,195
Other	<u>846</u>	<u>653</u>	<u>1,499</u>
Total operating expenses	<u>476,101</u>	<u>832,565</u>	<u>1,308,666</u>
Operating income (loss)	<u>(213,166)</u>	<u>207,758</u>	<u>(5,408)</u>
Nonoperating revenues:			
Operating grants	160,295	-	160,295
Federal commodities	35,315	-	35,315
Interest revenue	<u>565</u>	<u>4,837</u>	<u>5,402</u>
Total nonoperating revenues	<u>196,175</u>	<u>4,837</u>	<u>201,012</u>
Net income (loss)	(16,991)	212,595	195,604
Retained earnings (accumulated deficit), July 1 (restated)	<u>(24,998)</u>	<u>296,393</u>	<u>271,395</u>
Retained earnings (accumulated deficit), June 30 .	(41,989)	508,988	466,999
Contributed capital at June 30	<u>55,686</u>	<u>-</u>	<u>55,686</u>
Total fund equity at June 30	<u>\$ 13,697</u>	<u>\$ 508,988</u>	<u>\$ 522,685</u>

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

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from sales	\$ 263,449	\$ -	\$ 263,449
Cash received from service charges	-	1,040,323	1,040,323
Cash payments for personal services	(244,342)	(44,717)	(289,059)
Cash payments for contract services	(3,734)	-	(3,734)
Cash payments for materials and supplies.	(177,054)	-	(177,054)
Cash payments for claims expenses.	-	(797,551)	(797,551)
Cash payments for other expenses	(846)	(653)	(1,499)
Net cash provided by (used in) operating activities	<u>(162,527)</u>	<u>197,402</u>	<u>34,875</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants	<u>160,295</u>	<u>-</u>	<u>160,295</u>
Net cash provided by noncapital financing activities.	<u>160,295</u>	<u>-</u>	<u>160,295</u>
Cash flows from investing activities:			
Interest received	<u>565</u>	<u>4,837</u>	<u>5,402</u>
Net cash provided by investing activities	<u>565</u>	<u>4,837</u>	<u>5,402</u>
Net increase (decrease) in cash and cash equivalents	(1,667)	202,239	200,572
Cash and cash equivalents at beginning of year	<u>44,668</u>	<u>348,653</u>	<u>393,321</u>
Cash and cash equivalents at end of year.	<u>\$ 43,001</u>	<u>\$ 550,892</u>	<u>\$ 593,893</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss).	\$ (213,166)	\$ 207,758	\$ (5,408)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,394	-	5,394
Federal donated commodities	35,315	-	35,315
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	519	-	519
Decrease in inventory held for resale	6,425	-	6,425
Decrease in accounts receivable.	514	-	514
Increase in accrued wages and benefits	8,252	-	8,252
Increase in compensated absences payable	855	-	855
Decrease in pension obligation payable	(94)	-	(94)
Decrease in due to other governments	(116)	-	(116)
Decrease in claims payable.	-	(10,356)	(10,356)
Decrease in deferred revenue.	(6,425)	-	(6,425)
Net cash provided by (used in) operating activities	<u>\$ (162,527)</u>	<u>\$ 197,402</u>	<u>\$ 34,875</u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

The District ranks as the 375th largest by total enrollment among the 705 public and community school districts in the State. The District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The District provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board of Education controls the District's four instructional/support facilities staffed by 11 administrators, 37 classified employees and 96 certificated employees who provide services to 1,489 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units. The following organizations are described due to their relationship with the District:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

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

Columbiana County Career Center

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

PUBLIC ENTITY RISK POOLS

Columbiana County School Employees Insurance Consortium (Consortium)

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

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

The District participates in the GRP, an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Basis of Presentation - Fund Accounting

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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

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

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

D. Budgetary Process

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

Tax Budget:

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2002.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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 2002; however, none of the amendments were significant.

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

Encumbrances:

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

Lapsing of Appropriations:

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

E. Cash and Investments

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

During fiscal year 2002, investments were limited to repurchase agreements, certificates of deposit and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

The District has invested funds in the State Treasury assets Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operated in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$128,471, which includes \$17,848 assigned from other District funds.

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

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

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. The District does not have any significant inventory at June 30, 2002, for governmental funds.

G. Fixed Assets and Depreciation

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

H. Compensated Absences

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

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

I. Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in 2002. The enterprise fund did not receive any contributions of capital during fiscal 2002. Contributed capital in the enterprise fund at June 30, 2002, is \$55,686.

Because the District did not prepare financial statements in accordance with GAAP prior to fiscal year 1996, the exact amount of contributed capital can not be determined. Consequently only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements.

J. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

K. Prepayments

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

L. Restricted Assets

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

M. Estimates

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

N. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had long-term advances receivable and payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

O. Fund Balance Reserves and Designations

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

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

P. Total Columns (Memorandum Only)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

During fiscal year 2002, a reappraisal of the District's fixed assets was performed. Due to variances between the reappraisal balances and amounts previously reported as fixed assets, a prior period adjustment is required to restate the general fixed asset account group (See Note 9.B.) and the retained earnings in the Food Service enterprise fund. The prior period adjustment had the following effect on retained earnings as previously reported as of June 30, 2001:

	<u>Enterprise</u>
Retained earnings (accumulated deficit) as previously reported	\$(41,262)
Restatement for reappraisal	<u>16,264</u>
Restated retained earnings (accumulated deficit) as of July 1, 2001	<u><u>\$(24,998)</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Teacher Development	\$ 3
Education Management Information Systems	56
Title I	203,723
Title VI	530
Drug Free Grant	2,651
<u>Capital Projects Funds</u>	
Permanent Improvements	472,057
Disability Access Grant	8,036
<u>Enterprise Fund</u>	
Food Service	41,989

The deficit fund balances in the Teacher Development, Education Information Systems, Title I, Title VI and Drug Free Grant special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wage, benefit and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

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

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

C. Agency Funds

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

<u>ASSETS</u>	
Accounts receivable	\$114
Due from other governments	807,144
<u>LIABILITIES</u>	
Accounts payable	354

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with fiscal agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2002, was \$544,033.

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

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

Deposits: At year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit, was \$595,498 and the bank balance, including nonnegotiable certificates of deposit, was \$639,227. Of the bank balance:

1. \$131,320 was covered by federal depository insurance; and
2. \$507,907 was uninsured and uncollateralized as defined by GASB although because it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

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

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$44,377</u>	\$ 44,377	\$ 44,377
Total	<u>\$44,377</u>		
Investment in STAR Ohio		<u>4,248,125</u>	<u>4,248,125</u>
Total investments		<u>\$4,292,502</u>	<u>\$4,292,502</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,432,253	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(4,248,125)	4,248,125
Repurchase agreements	(44,377)	44,377
Cash on hand	(220)	-
Cash with fiscal agent	<u>(544,033)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 595,498</u>	<u>\$4,292,502</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$119,842
<u>Special Revenue Fund</u>		
Miscellaneous Federal Grants	-	52,631
<u>Capital Projects Fund</u>		
Permanent Improvement	172,473	-
Total	\$172,473	\$172,473

- B. Interfund balances at June 30, 2002 consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$321,457	\$ -
<u>Special Revenue Funds</u>		
Title I	-	165,029
Title VI	-	5,484
Drug Free Grant	-	2,693
Title VI-R	-	23,251
<u>Capital Projects Fund</u>		
Permanent Improvement	-	125,000
Totals	\$321,457	\$321,457

- C. The following is a reconciliation of the District's long-term advances to and from other funds at June 30, 2002:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$546,914	\$ -
<u>Capital Projects Funds</u>		
Permanent Improvement	-	538,878
Disability Access Grant	-	8,036
Totals	\$546,914	\$546,914

NOTE 6 - PROPERTY TAXES

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 2001 taxes were collected was \$97,825,840. Agricultural/residential and public utility/minerals real estate represented \$83,220,940 or 85.07 percent of this total; commercial & industrial real estate represented \$4,510,760 or 7.75 percent of this total; public utility tangible represented \$7,583,050 or 7.75 percent of this total and general tangible property represented \$2,511,090 or 2.57 percent of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$26.60 per \$1,000.00 of assessed valuation for operations, \$.50 per \$1,000.00 of assessed valuation for debt service and \$3.50 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance, and recorded as revenue, at June 30, 2002, was \$140,876 in the general fund, \$3,521 in the debt service fund and \$14,198 in the Permanent Improvement capital projects fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 7 - INCOME TAX

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (user charged services and student fees), accrued interest, interfund loans, advances to other funds and intergovernmental state and federal revenues (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,128,688
Accounts	846
Accrued interest	1,200
Interfund loan	321,457
Due from other governments	1,041
 <u>Special Revenue Funds</u>	
Accounts	99
Due from other governments	289,813
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	45,595
 <u>Capital Projects Fund</u>	
Taxes - current and delinquent	206,806

NOTE 9 - FIXED ASSETS

A. Proprietary Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and equipment	\$126,242
Less: accumulated depreciation	<u>(94,021)</u>
Net fixed assets	<u><u>\$ 32,221</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 9 - FIXED ASSETS - (Continued)

A. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 2001 due to a reappraisal of the District's capital assets during fiscal year 2002.

	<u>Balance June 30, 2001</u>	<u>Correction</u>	<u>Restated Balance July 1, 2001</u>
Land and improvements	\$ 8,000	\$ 260,098	\$ 268,098
Buildings and improvements	7,394,743	1,464,663	8,859,406
Furniture, fixtures and equipment	1,705,895	448,888	2,154,783
Vehicles	777,034	26,747	803,781
Construction in progress	<u>569,066</u>	<u>-</u>	<u>569,066</u>
Totals	<u>\$10,454,738</u>	<u>\$2,200,396</u>	<u>\$12,655,134</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	<u>Restated Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land and improvements	\$ 268,098	\$ 677,483	\$ -	\$ 945,581
Buildings and improvements	8,859,406	-	-	8,859,406
Furniture, fixtures and equipment	2,154,783	146,758	-	2,301,541
Vehicles	803,781	-	-	803,781
Construction in progress	<u>569,066</u>	<u>105,618</u>	<u>(674,684)</u>	<u>-</u>
Total	<u>\$12,655,134</u>	<u>\$ 929,859</u>	<u>\$(674,684)</u>	<u>\$12,910,309</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$137,100. This amount represents the total lease payments at the time of acquisition due to this being a no interest lease. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$27,420 in the general fund.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2003	\$27,420
2004	27,420
2005	<u>20,945</u>
Total minimum lease payments	75,785
Less: amount representing interest	<u>-</u>
Present value of minimum lease payments	<u>\$75,785</u>

NOTE 11 - LONG-TERM OBLIGATIONS

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

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$451,387	\$46,650	\$ -	\$498,037
Pension obligation payable	40,760	40,979	(40,760)	40,979
Capital lease payable	103,205	-	(27,420)	75,785
Energy conservation loan	<u>52,372</u>	<u>-</u>	<u>(26,511)</u>	<u>25,861</u>
Total general long-term obligations	<u>\$647,724</u>	<u>\$87,629</u>	<u>\$(94,691)</u>	<u>\$640,662</u>

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements for the future energy conservation loan outstanding at June 30, 2002 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	<u>\$25,861</u>	<u>\$1,550</u>	<u>\$27,411</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$8,885,718 (including available funds of \$81,392) and an unvoted debt margin of \$97,826.

NOTE 12 - OTHER EMPLOYEE BENEFITS

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

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

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

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

B. Worker's Compensation

For fiscal year 2002, the District participated in the GRP, an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

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

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

C. Employee Medical Benefits

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

The liability for unpaid claims of \$41,904 reported in the internal service fund at June 30, 2002, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$52,260	\$787,195	\$(797,551)	\$41,904
2001	77,843	749,662	(775,245)	52,260

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2002 is not presented. The enterprise fund had no encumbrances outstanding at June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$43,539, \$31,356, and \$59,199, respectively; 51.06 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$21,308, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$445,663, \$422,280, and \$262,260, respectively; 84.24 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$70,254, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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

C. Social Security System

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$211,104 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$68,099 during the 2002 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	<u>General</u>	<u>Governmental Fund Types</u>		<u>Capital Projects</u>
		<u>Debt Service</u>	<u>Special Revenue</u>	
Budget basis	\$153,947	\$ (89,444)	\$18,068	\$(190,340)
Net adjustment for revenue accruals	90,876	131,305	2,296	8,090
Net adjustment for expenditure accruals	(44,564)	(90,127)	-	119,039
Net adjustment for other financing sources/(uses)	(65,705)	(196,457)	-	262,000
Encumbrances (budget basis)	<u>31,491</u>	<u>20,285</u>	<u>-</u>	<u>51,197</u>
GAAP Basis	<u>\$166,045</u>	<u>\$(224,438)</u>	<u>\$20,364</u>	<u>\$249,986</u>

NOTE 18 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

The District is not a party to any legal proceedings.

C. State School Funding Decision

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

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

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2001	\$ 99,099	\$ 1,403	\$62,146
Current year set-aside requirement	191,639	191,639	-
Current year offsets	-	(44,000)	-
Qualifying disbursements	<u>(290,904)</u>	<u>(221,019)</u>	<u>-</u>
Total	<u>\$ (166)</u>	<u>\$ (71,977)</u>	<u>\$62,146</u>
Cash balance carried forward to FY 2003	<u>\$ (166)</u>	<u>\$ -</u>	<u>\$62,146</u>

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

A schedule of the restricted assets at June 30, 2002 follows:

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

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$28,890		\$35,315
National School Breakfast Program		10.553	\$26,883		\$26,883	
National School Lunch Program		10.555	124,681		124,681	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>151,564</u>	<u>28,890</u>	<u>151,564</u>	<u>35,315</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001 C1-S1-2002 C1-SD-2002	84.010	55,825 48,489 3,217		101,258 216,734	
Total Grants to Local Educational Agencies			107,531		317,992	
Drug-Free Schools Grant	DR-S1-2001 DR-S1-2002	84.186	- 1,290		1,000 3,982	
Total Drug Free Schools Grant			1,290		4,982	
Eisenhower Professional Development State Grants Title II, Part B	MS-S1-2001 MS-S1-2002	84.281	- 8,776		5,178 4,085	
Total Eisenhower Professional Development State Grant			8,776		9,263	
Innovative Educational Program Strategies	C2-S1-2002	84.298	2,240		7,724	
Class Size Reduction Subsidy	CR-S1-2001 CR-S1-2002	84.340	7,224 15,458		12,047 38,708	
Total Class Size Reduction Subsidy			22,682		50,755	
Assistive Technology Infusion Project		84.352	804		804	
Total Department of Education			<u>143,323</u>	<u>0</u>	<u>391,520</u>	<u>0</u>
Totals			<u>\$ 294,887</u>	<u>\$ 28,890</u>	<u>\$ 543,084</u>	<u>\$ 35,315</u>

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

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL YEAR ENDED JUNE 30, 2002

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of the United Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter December 27, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 27, 2002

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

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

To the Board of Education:

Compliance

We have audited the compliance of the United Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 27, 2002

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

**UNITED LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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UNITED LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**