



**Auditor of State  
Betty Montgomery**



**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Local School District  
Jefferson County  
198 Main Street  
P.O. Box 300  
Rayland, Ohio 43943

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table on contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Buckeye Local School District, Jefferson County as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 during the year ended June 30, 2003, the District implemented a financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

January 30, 2004

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

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The discussion and analysis of the Buckeye Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities decreased \$1,398,109.
- General revenues accounted for \$13,619,268 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,867,581 or 22 percent of total revenues of \$17,486,849.
- Total assets of governmental activities decreased \$686,870 primarily due to a decrease in current assets in addition to annual depreciation expense.
- The School District had \$18,884,958 in expenses related to governmental activities; only \$3,867,581 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,619,268 were not adequate to provide for these programs.
- The general fund, one of the major funds had \$13,733,113 in revenues and \$14,484,069 in expenditures. The general fund's balance decreased \$926,491.
- The debt service fund, one of major funds, had \$875,194 in revenues and \$1,096,972 in expenditures. The debt service fund balance decreased \$62,784.

### **Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

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



**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Current and Other Assets	\$10,260,761	\$10,689,561
Capital Assets	11,849,037	12,107,107
<b>Total Assets</b>	<b>22,109,798</b>	<b>22,796,668</b>
<b>Liabilities</b>		
Long-Term Liabilities	7,846,690	8,552,732
Other Liabilities	7,577,543	6,160,263
<b>Total Liabilities</b>	<b>15,424,233</b>	<b>14,712,995</b>
<b>Net Assets</b>		
Invested in Capital Assets		
Net of Debt	5,486,273	5,200,574
Restricted	1,476,450	1,692,383
Unrestricted (Deficit)	(277,158)	1,190,716
<b>Total Net Assets</b>	<b>\$6,685,565</b>	<b>\$8,083,673</b>

Total assets decreased \$686,870. Current assets decreased by \$428,800 primarily due to a decrease in equity in pooled cash and cash equivalents and a decrease in property taxes receivable. The decrease in property taxes receivable was due to the settlement of disputed personal property tax delinquencies with Wheeling-Pittsburgh Steel. The decrease in equity in pooled cash and cash equivalents was due to the School District spending cash carryover balances for basic operations. The decrease in capital assets was due to depreciation expense.

Total liabilities increased \$711,238. Current and other liabilities increased primarily due to an increase in deferred revenue attributable to the settlement of disputed personal property tax delinquencies with Wheeling-Pittsburgh Steel. Long term liabilities decreased due to the payment of principal on outstanding debt.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Buckeye Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>
	<b>2003</b>
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$521,868
Operating Grants	3,273,054
Capital Grants	72,659
General Revenues:	
Property Taxes	4,834,879
Grants and Entitlements	8,687,095
Others	97,294
<b>Total Revenues</b>	<b>17,486,849</b>
<b>Program Expenses:</b>	
Instruction:	
Regular	7,597,664
Special	2,293,675
Vocational	717,707
Support Services:	
Pupil	371,771
Instructional Staff	567,579
Board of Education, Administration, Fiscal and Business	2,272,097
Operation and Maintenance of Plant	1,877,678
Pupil Transportation	1,350,075
Central	2,408
Operation of Non-Instructional Services	816,728
Extracurricular Activities	370,055
Interest and Fiscal Charges	647,521
<b>Total Expenses</b>	<b>18,884,958</b>
<b>Decrease in Net Assets</b>	<b>(\$1,398,109)</b>

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

In 2003, 28 percent of the School District's revenues were from property taxes and 50 percent were from unrestricted grants and entitlements.

Program revenues accounted for 22 percent of the School District's revenues in fiscal year 2003. These revenues consist of tuition and fees, charges for providing lunches to students, transportation and vocational services provided to other school districts, grants for specified purposes, and contributions and donations.

Instructional programs comprise approximately 56 percent of total governmental program expenses. Of the instructional expenses, approximately 72 percent is for regular instruction, 22 percent for special instruction, and 6 percent for vocational instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. Comparisons to 2002 have not been made since they are not available.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2003</u>
Instruction:		
Regular	\$7,597,664	\$6,269,350
Special	2,293,675	1,284,851
Vocational	717,707	716,530
Support Services:		
Pupil	371,771	317,948
Instructional Staff	567,579	233,766
Board of Education, Administration, Fiscal and Business	2,272,097	2,082,202
Operation and Maintenance of Plant	1,877,678	1,816,638
Pupil Transportation	1,350,075	1,274,395
Central	2,408	23
Operation of Non-Instructional Services	816,728	130,047
Extracurricular Activities	370,055	244,106
Interest and Fiscal Charges	647,521	647,521
<b>Total Expenses</b>	<u><u>\$18,884,958</u></u>	<u><u>\$15,017,377</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 78 percent of instruction costs, 89 percent of support services costs, and 66 percent of extracurricular activities costs are supported through taxes and other general revenues.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,949,875 and expenditures of \$19,155,281. As apparent, the School District's spending exceeded revenues during the fiscal year.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2003, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2003, the School District had \$11,849,037 invested in land, buildings, furniture, equipment and vehicles. The capitalization threshold changed from \$500 to \$5,000 for fiscal year 2003. Table 4 shows fiscal year 2003 balances compared to 2002.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2003</b>	<b>2002</b>
Land	\$579,049	\$579,049
Land Improvements	218,438	254,381
Buildings and Improvements	10,362,581	10,668,404
Furniture and Equipment	333,801	240,083
Vehicles	355,168	365,191
Totals	\$11,849,037	\$12,107,108

See note 9 for more detailed information of the School District's capital assets.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003  
Unaudited

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***Debt***

At June 30, 2003, the School District had \$6,362,764 in bonds, loans, and capital leases outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	<b>Governmental Activities</b>	
	<b>2003</b>	<b>2002</b>
1997 General Obligation Bonds	\$5,850,538	\$6,240,348
1996 Energy Conservation Loan	182,800	257,800
2000 School Bus Loan	22,664	44,070
Capital Leases	306,762	364,315
Totals	<u><u>\$6,362,764</u></u>	<u><u>\$6,906,533</u></u>

See Note 15 for more information regarding debt.

***Economic Factors***

Buckeye Local School District is currently experiencing financial difficulty as reflected by the decline in net assets, primarily in the general fund. As the preceding information shows, the School District relies heavily on state funding as well as its property taxpayers. Based on the current financial situation, the District is currently looking at several cost cutting measures.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Dana Prebeg, Treasurer/CFO at Buckeye Local School District, 198 Main Street, Rayland, Ohio 43943.

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**Buckeye Local School District**  
*Statement of Net Assets*  
*June 30, 2003*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,262,168
Cash and Cash Equivalents With Fiscal Agent	77,232
Intergovernmental Receivable	408,676
Prepaid Items	18,363
Inventory Held for Resale	5,533
Materials and Supplies Inventory	102,618
Property Taxes Receivable	7,386,171
Non-Depreciating Capital Assets	579,049
Depreciating Capital Assets, Net	11,269,988
<i>Total Assets</i>	22,109,798
<b>Liabilities</b>	
Accounts Payable	84,086
Accrued Wages and Benefits Payable	1,595,522
Matured Severance Payable	10,860
Longevity Payable	6,800
Early Retirement Incentive Payable	55,000
Intergovernmental Payable	499,980
Accrued Interest Payable	66,719
Deferred Revenue	5,262,976
Long-Term Liabilities:	
Due Within One Year	397,540
Due In More Than One Year	7,444,750
<i>Total Liabilities</i>	15,424,233
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,486,273
Restricted for:	
Capital Projects	80,079
Debt Service	1,249,660
Other Purposes	146,711
Unrestricted (Deficit)	(277,158)
<i>Total Net Assets</i>	\$6,685,565

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,597,664	\$8,103	\$1,320,211	\$0
Special	2,293,675	16,526	992,298	0
Vocational	717,707	0	1,177	0
Support Services:				
Pupil	371,771	33,918	19,905	0
Instructional Staff	567,579	0	333,813	0
Board of Education	53,576	0	0	0
Administration	1,674,508	0	117,197	0
Fiscal	474,732	0	0	0
Business	69,281	16,701	55,997	0
Operation and Maintenance of Plant	1,877,678	100	60,940	0
Pupil Transportation	1,350,075	0	3,021	72,659
Central	2,408	0	2,385	0
Operation of Non-Instructional Services	816,728	321,873	364,808	0
Extracurricular Activities	370,055	124,647	1,302	0
Interest and Fiscal Charges	647,521	0	0	0
<i>Total Governmental Activities</i>	<u>\$18,884,958</u>	<u>\$521,868</u>	<u>\$3,273,054</u>	<u>\$72,659</u>

**General Revenues**

Property Taxes Levied for General Purposes  
Property Taxes Levied for Debt Service  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year (Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements



Net (Expense) Revenue  
and Changes in Net Assets

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Governmental  
Activities

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(\$6,269,350)  
(1,284,851)  
(716,530)

(317,948)  
(233,766)  
(53,576)  
(1,557,311)  
(474,732)  
3,417

(1,816,638)  
(1,274,395)  
(23)  
(130,047)  
(244,106)  
(647,521)

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(15,017,377)

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4,259,534  
575,345  
8,687,095  
31,099  
66,195

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13,619,268

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(1,398,109)

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8,083,674

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\$6,685,565

**Buckeye Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2003*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$771,229	\$1,086,591	\$263,978	\$2,121,798
Cash and Cash Equivalents With Fiscal Agents	0	0	77,232	77,232
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	140,370	0	0	140,370
Receivables:				
Property Taxes	6,520,519	865,652	0	7,386,171
Intergovernmental	12,326	0	396,350	408,676
Interfund	74,766	0	0	74,766
Prepaid Items	18,363	0	0	18,363
Inventory Held for Resale	0	0	5,533	5,533
Materials and Supplies Inventory	100,580	0	2,038	102,618
<i>Total Assets</i>	<u>\$7,638,153</u>	<u>\$1,952,243</u>	<u>\$745,131</u>	<u>\$10,335,527</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$61,903	\$0	\$22,183	\$84,086
Accrued Wages and Benefits	1,279,126	0	316,396	1,595,522
Matured Severance Payable	9,561	0	1,299	10,860
Longevity Payable	2,400	0	0	2,400
Early Retirement Incentive Payable	55,000	0	0	55,000
Interfund Payable	0	0	74,766	74,766
Intergovernmental Payable	265,393	0	73,828	339,221
Deferred Revenue	5,571,535	739,458	41,489	6,352,482
<i>Total Liabilities</i>	<u>7,244,918</u>	<u>739,458</u>	<u>529,961</u>	<u>8,514,337</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	44,899	0	92,812	137,711
Reserved for Property Taxes	961,310	126,194	0	1,087,504
Reserved for Budget Stabilization	115,961	0	0	115,961
Reserved for Capital Improvements	24,409	0	0	24,409
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(753,344)	0	0	(753,344)
Special Revenue Funds	0	0	42,279	42,279
Debt Service Funds	0	1,086,591	0	1,086,591
Capital Projects Funds	0	0	80,079	80,079
<i>Total Fund Balances</i>	<u>393,235</u>	<u>1,212,785</u>	<u>215,170</u>	<u>1,821,190</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,638,153</u>	<u>\$1,952,243</u>	<u>\$745,131</u>	<u>\$10,335,527</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2003*

**Total Governmental Fund Balances** \$1,821,190

*Amounts reported for governmental activities in the  
statement of net assets are different because*

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 11,849,037

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds:

Grants	53,815	
Property Taxes	<u>1,035,691</u>	
 Total		 1,089,506

Intergovernmental payable includes contractually required pension  
contributions not expected to be paid with available resources,  
and therefore, are not reported in the funds. (160,759)

Long-term liabilities, including bonds payable and accrued  
interest payable, are not due and payable in the current period  
and therefore are not reported in the funds:

General Obligation Bonds	3,749,794	
Capital Appreciation Bond Accretion	2,100,744	
Compensated Absences	1,479,526	
Longevity Payable	4,400	
Energy Conservation Loan	182,800	
Accrued Interest Payable	66,719	
School Bus Loan	22,664	
Capital Leases	<u>306,762</u>	
 Total		 <u>(7,913,409)</u>

*Net Assets of Governmental Activities* \$6,685,565

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$4,679,863	\$620,142	\$0	\$5,300,005
Intergovernmental	8,917,640	255,052	2,801,187	11,973,879
Interest	29,153	0	2,098	31,251
Tuition and Fees	51,842	0	8,614	60,456
Extracurricular Activities	0	0	139,439	139,439
Rentals	100	0	0	100
Contributions and Donations	5,900	0	55,997	61,897
Charges for Services	0	0	321,873	321,873
Miscellaneous	48,615	0	12,360	60,975
<i>Total Revenues</i>	<u>13,733,113</u>	<u>875,194</u>	<u>3,341,568</u>	<u>17,949,875</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,555,177	0	935,708	7,490,885
Special	1,201,230	0	1,062,438	2,263,668
Vocational	685,690	0	0	685,690
Support Services:				
Pupil	345,353	0	21,325	366,678
Instructional Staff	177,880	0	335,686	513,566
Board of Education	53,545	0	0	53,545
Administration	1,539,811	0	107,830	1,647,641
Fiscal	456,133	18,134	0	474,267
Business	0	0	81,216	81,216
Operation and Maintenance of Plant	1,813,174	0	63,222	1,876,396
Pupil Transportation	1,283,772	0	3,236	1,287,008
Central	0	0	2,408	2,408
Operation of Non-Instructional Services	0	0	807,618	807,618
Extracurricular Activities	232,013	0	136,175	368,188
Capital Outlay	73,501	0	17,378	90,879
Debt Service:				
Principal Retirement	57,553	864,406	0	921,959
Interest and Fiscal Charges	9,237	214,432	0	223,669
<i>Total Expenditures</i>	<u>14,484,069</u>	<u>1,096,972</u>	<u>3,574,240</u>	<u>19,155,281</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(750,956)</u>	<u>(221,778)</u>	<u>(232,672)</u>	<u>(1,205,406)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	158,994	16,541	175,535
Transfers Out	<u>(175,535)</u>	<u>0</u>	<u>0</u>	<u>(175,535)</u>
Total Other Financing Sources (Uses)	<u>(175,535)</u>	<u>158,994</u>	<u>16,541</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(926,491)	(62,784)	(216,131)	(1,205,406)
<i>Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)</i>	<u>1,319,726</u>	<u>1,275,569</u>	<u>431,301</u>	<u>3,026,596</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$393,235</u>	<u>\$1,212,785</u>	<u>\$215,170</u>	<u>\$1,821,190</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,205,406)

*Amounts reported for governmental activities in the statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	239,714	
Depreciation	(497,785)	
Total	(258,071)	(258,071)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Grants	2,100	
Property Taxes	(465,126)	
Total	(463,026)	(463,026)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	768,000	
Energy Conservation Loans	75,000	
School Bus Loan	21,406	
Capital Leases	57,553	
Total	921,959	921,959

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of activities.

Accrued Interest	(45,662)	
Accretion of Interest	(378,190)	
Total	(423,852)	(423,852)

Some expenses reported in the statement of activities, such as compensated absences, early retirement/longevity benefits payable and intergovernmental payables, which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Intergovernmental Payable	(51,865)	
Longevity Payable	400	
Early Retirement Incentive Payable	55,000	
Compensated Absences	26,752	
Total	30,287	30,287

*Changes in Net Assets of Governmental Activities* (\$1,398,109)

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$5,175,000	\$5,486,073	\$5,486,073	\$0
Intergovernmental	8,898,742	8,917,640	8,917,640	0
Interest	60,000	29,153	29,153	0
Tuition and Fees	53,175	51,842	51,842	0
Rent	0	100	100	0
Contributions and Donations	7,000	5,900	5,900	0
Miscellaneous	11,000	48,615	48,615	0
<i>Total Revenues</i>	<u>14,204,917</u>	<u>14,539,323</u>	<u>14,539,323</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,643,595	6,536,574	6,505,565	31,009
Special	1,124,948	1,186,758	1,180,277	6,481
Vocational	759,853	717,436	712,698	4,738
Support Services:				
Pupils	277,318	343,142	342,139	1,003
Instructional Staff	169,336	182,956	180,233	2,723
Board of Education	66,990	55,954	55,440	514
Administration	1,492,262	1,550,674	1,550,934	(260)
Fiscal	407,165	440,095	439,088	1,007
Operation and Maintenance of Plant	1,749,576	1,879,821	1,871,950	7,871
Pupil Transportation	1,226,795	1,348,994	1,360,945	(11,951)
Extracurricular Activities	254,544	233,354	231,521	1,833
Capital Outlay	100,000	78,293	73,501	4,792
<i>Total Expenditures</i>	<u>14,272,382</u>	<u>14,554,051</u>	<u>14,504,291</u>	<u>49,760</u>
Excess of Revenues Over (Under) Expenditures	<u>(67,465)</u>	<u>(14,728)</u>	<u>35,032</u>	<u>49,760</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	500,000	470,027	0	(470,027)
Advances In	20,000	103,940	0	(103,940)
Transfers Out	(780,583)	(707,817)	(175,535)	532,282
Advances Out	0	(178,706)	(74,766)	103,940
<i>Total Other Financing Sources (Uses)</i>	<u>(260,583)</u>	<u>(312,556)</u>	<u>(250,301)</u>	<u>62,255</u>
<i>Net Change in Fund Balance</i>	<u>(328,048)</u>	<u>(327,284)</u>	<u>(215,269)</u>	<u>112,015</u>
<i>Fund Balance at Beginning of Year</i>	<u>822,301</u>	<u>822,301</u>	<u>822,301</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>232,317</u>	<u>232,317</u>	<u>232,317</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$726,570</u></u>	<u><u>\$727,334</u></u>	<u><u>\$839,349</u></u>	<u><u>\$112,015</u></u>

See accompanying notes to the basic financial statement:

**Buckeye Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2003*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$55,959</u>
<b>Liabilities</b>	
Due to Students	<u><u>\$55,959</u></u>

See accompanying notes to the basic financial statements

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Buckeye Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was created by the consolidation in 1965 of Adena, Dillonvale, Mount Pleasant, Brilliant, Smithfield and Yorkville Local School Districts, and by a merger with the Warren Consolidated School District in 1966. The School District serves an area of approximately 136 square miles encompassing most of the southern half of Jefferson County, extending west into Harrison County and south into Belmont County. It is staffed by 104 non-certified employees, 183 certified full-time teaching personnel, and 15 administrative employees who provide services to 2,385 students and other community members. The School District currently operates 7 instructional buildings, 1 administrative building, and 1 garage.

*Reporting Entity:*

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

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

The School District is involved with four organizations, three of which are defined as jointly governed organizations, and one which is defined as an insurance purchasing pool. These organizations are the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Educational Service Agency (OME-RESA), East Central Ohio Special Education Regional Resource Center (ECOSERRC), and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

## **A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The only fiduciary fund type that the School District has is an agency fund for student activities.

## **B. Fund Accounting**

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

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

***General Fund*** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Types*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The School District has no proprietary funds.

***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

### **C. Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (**See Note 7**). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

### **E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District utilizes a financial institution to maintain an account while the School District is waiting for the completion of improvements to a new building purchased during fiscal year 2002. The balance in this account is presented as "cash and cash equivalents with fiscal agents."

During fiscal year 2003, investments were limited to certificates of deposit and repurchase agreements, which are reported at cost, and State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2003. Repurchase agreements and certificates of deposit are reported at cost.

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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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 2003 amounted to \$29,153 which includes \$15,410 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash equivalents.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for capital improvements and budget stabilization.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food/commodities held for resale.

**I. Capital Assets**

The only capital assets of the School District are general capital assets. These assets result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District currently only capitalizes land, buildings and improvements, furniture and equipment and vehicles. The School 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Land	N/A
Buildings	50 years
Building Improvements	20 years
Furniture and Equipment	5-15 years
Vehicles	8 years

#### **J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

#### **K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the School District's termination policy.

#### **L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes and loans are recognized as a liability on the governmental fund financial statements when due or when resources are available.

#### **M. Interfund Activity**

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

#### **N. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, and capital acquisitions. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Reserve for budget stabilization represents unspent workers' compensation money.

#### **O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**Q. Estimates**

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

**R. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the function level for the General Fund, and at the fund level for all other funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate appropriations among objects in the General Fund and among functions and objects in all other funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

**Changes in Accounting Principles** For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures. At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

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

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement was not applicable to the School District for fiscal year 2003.

***Restatement of Fund Balances*** The fund classification was updated as of June 30, 2003 to reclassify the food service fund, previously reported as an enterprise fund, as a special revenue fund. There were also restatements of fund equity. These restatements and the implementation of Interpretation No. 6 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.



Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

	General	Debt Service	Nonmajor Funds	Total
Fund Balances, June 30, 2002	\$1,218,418	\$1,275,569	\$433,132	\$2,927,119
Fund Reclassification:				
Uniform School Supplies	24,395			24,395
E-Rate	60,725		(60,725)	0
Food Service	0	0	57,598	57,598
Interpretation 6:				
Compensated Absences	16,188	0	1,296	17,484
Restated Fund Balances, June 30, 2002	<u>\$1,319,726</u>	<u>\$1,275,569</u>	<u>\$431,301</u>	\$3,026,596
GASB 34 Adjustments:				
Capital Assets				12,107,108
Compensated Absences				(1,506,278)
Longevity Payable				(4,800)
Early Retirement Incentive Payable				(55,000)
GO Bonds Payable				(4,517,794)
Capital Appreciation Bond Accretion				(1,722,554)
Capital Leases				(364,315)
School Bus Loan				(44,070)
Energy Conservation Loan				(257,800)
Accrued Interest Payable				(21,057)
Intergovernmental Payable				(108,894)
Deferred Revenue				1,552,532
Governmental Activities Net Assets, June 30, 2002				<u>\$8,083,674</u>

The transition from proprietary fund equity to net assets of the business type activities is as follows:

	<u>Enterprise</u>
Fund Equity, June 30, 2002	\$297,327
Fund Reclassification	<u>(297,327)</u>
Business Type Activities, June 30, 2002	<u>\$0</u>

In addition, fixed assets were restated due to a re-appraisal and an increase in the capitalization threshold to from \$500 to \$5,000. The restatement resulted in a decrease of \$760,384 in governmental activities capital assets from \$21,629,712 to \$20,869,328.

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**NOTE 4 - ACCOUNTABILITY**

At June 30, 2003, the Miscellaneous State Grants fund had deficit fund balance of \$34,087 created by the application of generally accepted accounting principles. This fund receives transfers from the General Fund when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	(\$926,491)
Revenue Accruals	806,210
Expenditure Accruals	52,028
Advances Out	(74,766)
Encumbrances	<u>(72,250)</u>
Budget Basis	<u><u>(\$215,269)</u></u>

**NOTE 6 - CASH AND CASH EQUIVALENTS**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's 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 moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classification 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Buckeye Local School District, Ohio  
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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.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits were \$442,971 and the bank balance was \$2,424,912. Of the bank balance:

\$137,035 was covered by federal depository insurance; and

\$2,287,877 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$1,111,418	\$0	\$0	\$1,111,418
STAR Ohio	0	0	840,970	840,970
Total	<u>\$1,111,418</u>	<u>\$0</u>	<u>\$840,970</u>	<u>\$1,952,388</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

Buckeye Local School District, Ohio  
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	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,395,359	\$0
Investments:		
Repurchase Agreements	(1,111,418)	1,111,418
STAR Ohio	(840,970)	840,970
GASB Statement 3	\$442,971	\$1,952,388

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont, Harrison and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is

Buckeye Local School District, Ohio  
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reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$961,310 in the general fund and \$126,194 in the debt service fund. The amount available as an advance at June 30, 2002, was \$1,767,520 in the general fund and \$221,696 debt service fund.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$140,108,290	58.2%	\$141,333,410	57.5%
Public Utility Personal	80,477,770	33.4%	82,872,260	33.7%
Tangible Personal	20,350,520	8.4%	21,557,630	8.8%
	\$240,936,580	100.0%	\$245,763,300	100.0%
Tax Rate per \$1,000 of assessed valuation		\$30.50		\$32.10

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
E-Rate Reimbursement	\$12,326
Lunch and Breakfast Subsidy	50,230
Part B - IDEA	69,772
Title I	150,593
Drug Free	12,358
Title II-A	83,676
Title VI-B	24,421
ASELP - After School Learning	5,300
Total Intergovernmental Receivables	\$408,676

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03
Capital Assets - Not Depreciated:				
Land	\$579,049	0	0	\$579,049
Capital Assets - Depreciated:				
Land Improvements	903,313	6,520	0	909,833
Buildings and Improvements	17,512,681	0	0	17,512,681
Furniture and Equipment	598,144	128,168	0	726,312
Vehicles	1,276,141	105,026	0	1,381,167
Total Capital Assets - Depreciated	20,290,279	239,714	0	20,529,993
Less Accumulated Depreciation:				
Land Improvements	(648,932)	(42,463)	0	(691,395)
Buildings and Improvements	(6,844,277)	(305,823)	0	(7,150,100)
Furniture and Equipment	(358,061)	(34,450)	0	(392,511)
Vehicles	(910,950)	(115,049)	0	(1,025,999)
Total Accumulated Depreciation	(8,762,220)	(497,785)	0	(9,260,005)
Total Capital Assets - Depreciated, Net	11,528,059	(258,071)	0	11,269,988
Governmental Capital Assets, Net	\$12,107,108	(\$258,071)	\$0	\$11,849,037

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$191,440
Special	39,757
Vocational	27,524
Support Services:	
Instructional Staff	42,815
Administration	31,557
Operation and Maintenance of Plant	28,704
Fiscal	481
Pupil Transportation	116,933
Food Service Operations	15,298
Extracurricular Activities	3,276
Total Depreciation Expense	<u>\$497,785</u>

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
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**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003 the School District contracted with the Indiana Insurance Company for fleet insurance. The type and amount of coverage provided by the Indiana Insurance Company follows:

Auto Liability - Combined Single Limit	\$2,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Comprehensive (ACV) and Towing	250 deductible
Collision (ACV)	500 deductible
Hired and Non-Owned Liability	1,000,000

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium amount to the OSP (See Note 18). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Educational General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit (\$2,500 Bodily Injury Deductible)	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products-Completed Operations Aggregate Limit	1,000,000
Employers Liability - Stop Gap - Occurrence Form	
Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000
Employee Benefits Liability - Claims Made Form	
Each Offense Limit	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability - Claims Made Form	
Errors and Omissions Injury Limit (\$2,500 Deductible)	1,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit (\$2,500 Deductible)	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000



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Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. The School District pays the State a rate per \$100 of salaries for workers' compensation.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$211,869, \$121,980 and \$83,507 respectively; 54.50 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,110,793, \$1,062,102, and \$1,048,974 respectively; 77.83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$309 made by the School District and \$6,544 made by the plan members.

#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$85,446 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent

Buckeye Local School District, Ohio  
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from fiscal year 2002. 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 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits during the 2003 fiscal year equaled \$151,187.

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, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for teachers and administrators and 210 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56  $\frac{1}{4}$  days for teachers and administrators and 52  $\frac{1}{2}$  days for classified employees.

**B. Health/Life Insurance**

The School District provides health, prescription, dental, and major medical insurance for all eligible employees by contracting with Medical Mutual of Ohio and with the Health Plan. Coverage for Medical Mutual of Ohio includes major medical, prescription, and dental. Coverage through the Health Plan only covers medical. Therefore, employees who are covered by the Health Plan must also contract with Medical Mutual of Ohio for dental coverage. The School District pays monthly premiums through Medical Mutual of Ohio and through the Health Plan.

The School District provides life insurance and accidental death and dismemberment insurance to employees through CoreSource in the amount of \$30,000 per employee.

**C. Early Retirement Incentive**

The School District offers a one-time retirement incentive of \$15,000 to those certified employees who have met eligibility retirement requirements based on STRS standards and elect to retire on or before August 1, in the first year they become eligible. The retirement incentive is paid in three equal installments of \$5,000 payable on the School District's first regular pay date in August over a three year span.

**D. Longevity Compensation**

The School District offers \$600 per year to administrators for each consecutive year of administrative experience service in the Buckeye Local School District in three annual installments upon retirement from the School District.

Buckeye Local School District, Ohio  
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**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for the purchase and improvement to a building which currently houses the bus garage and soon will house the administrative offices. As part of the agreement, National City Bank, as lessor, deposited \$357,000 with a fiscal agent for the purchase of and improvements to the new building.

In addition, the School District has entered into capitalized leases for equipment and furniture and fixtures.

Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards 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 basic financial statements for the governmental funds.

The building and equipment acquired by lease have been capitalized in government wide statements governmental activities in the amount of \$380,931, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$38,819 as of June 30, 2003. Principal payments in fiscal year 2003 totaled \$57,553 in the governmental funds.

Future minimum lease payments through 2007 are as follows:

Fiscal Year Ending June 30, 2003	Principal
2004	\$72,058
2005	70,504
2006	70,600
2007	140,900
Total	<u>\$354,062</u>
Less: Amount Representing Interest	(47,300)
Present Value of Net Minimum Lease Payments	<u><u>\$306,762</u></u>

Buckeye Local School District, Ohio  
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**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Amounts Due In One Year
General Obligation Bond - 1993 Term Bonds - 5.625 %	\$3,175,000	\$0	\$0	\$3,175,000	\$0
General Obligation Bond - 1993 Serial Bonds - 5.0%	720,000	0	720,000	0	0
General Obligation Bond - 1993 Capital Appreciation Bonds 5.2% to 5.6%	574,794	0	0	574,794	152,306
Accretion on CAB 15.95% to 16.00%	1,722,554	378,190	0	2,100,744	
School Bus General Obligation Bonds 1997-5.87%	48,000	0	48,000	0	0
<b>Total General Obligation Bonds</b>	<b>6,240,348</b>	<b>378,190</b>	<b>768,000</b>	<b>5,850,538</b>	<b>152,306</b>
Energy Conservation Loan 1996 - 5.25%	257,800	0	75,000	182,800	75,000
School Bus Loan - 2000 - 5.87%	44,070	0	21,406	22,664	22,664
Capital Leases	364,315	0	57,553	306,762	56,762
Compensated Absences	1,506,278	302,808	329,560	1,479,526	90,808
<b>Total General Long-Term Obligations</b>	<b>\$8,412,811</b>	<b>\$680,998</b>	<b>\$1,251,519</b>	<b>\$7,842,290</b>	<b>\$397,540</b>

*Buckeye Local School Improvement Refunding General Obligation Bonds* – On June 1, 1993, Buckeye Local School District issued \$9,609,794 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,860,000, \$3,175,000, and \$574,794, respectively. The general obligation bonds were issued for the purpose of refunding existing debt that had been used for improving, renovating, and remodeling existing school buildings and constructing, furnishing and equipping a new high school. These bonds are not subject to prior optional redemption. The bonds were issued for an eighteen year period with final maturity at December 1, 2011. The bonds will be retired from the debt service fund. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2003, \$6,450,000 of bonds outstanding are considered defeased.

The current interest term bonds that mature on December 1, 2011 are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is to occur on December 1 in each of the years 2008 through 2010 (with the balance of \$770,000 to be paid at stated maturity on December 1, 2011) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2008	\$755,000
2009	800,000
2010	850,000

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

The current interest term bonds that mature on December 1, 2011 and are subject to prior redemption, by and at the sole option of the School District, either in whole or in part (as selected by the School District) on any date on or after December 1, 2003, in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (inclusive)	Redemption Prices
December 1, 2003 through November 30, 2004	102%
December 1, 2004 through November 30, 2005	101%
December 1, 2005 and thereafter	100%

The capital appreciation bonds were sold at a discount of \$3,205,206, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 1993 through 2008. The maturity amount of the capital appreciation bonds is \$3,780,000. The accretion recorded for 2003 was \$378,190, for a total bond liability of \$2,675,538.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Year Ending December 31	Term Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	Principal and Interest
2003	\$0	\$0	\$152,306	\$602,694	\$755,000
2004	0	0	130,577	624,423	755,000
2005	0	0	111,951	643,049	755,000
2006	0	0	96,572	658,428	755,000
2007	0	0	83,388	676,612	760,000
2008	755,000	178,594	0	0	933,594
2009	800,000	136,125	0	0	936,125
2010	850,000	91,125	0	0	941,125
2011	770,000	43,312	0	0	813,312
Totals	\$3,175,000	\$449,156	\$574,794	\$3,205,206	\$7,404,156

*School Bus Loan* – On July 1, 2000, Buckeye Local School District issued a loan in the amount of \$107,381 for the purpose of purchasing two school buses. The loan was issued for a four year period with final maturity in fiscal year 2004. The loan will be retired from the debt service fund with revenue from grants for the acquisition of school buses received from the State of Ohio transferred from the general fund.

*Buckeye Local School Bus General Obligation Bonds* – On June 1, 1997, Buckeye Local School District issued \$250,000 in unvoted general obligation bonds for the purpose of purchasing school buses. The bonds were issued for a six year period with final maturity at April 15, 2003. The bonds were retired from the debt service fund with revenue from grants for the acquisition of buses received from the State of Ohio transferred from the general fund. The bonds were issued through the Ohio School Bus Pooled Financing Program sponsored by the Ohio Association of School Business Officials and Seasongood and Mayer to permit the financing of school bus purchases over a two to ten year repayment period. The program trustee, (Fifth Third Bank), acts as the issuer accepting loans from the 21 participating school

Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

districts, which in turn aggregate to form a single bond issue. No school district has any obligation to pay the principal and interest with respect to the bonds of any other participating school district.

*Energy Conservation Loan* – On April 3, 1996, Buckeye Local School District issued \$553,682 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2006. The note was issued as a revolving loan for which the School District can request additional proceeds on an as-needed-basis up to \$750,000. During fiscal year 1997, the School District issued an additional \$155,188 and during fiscal year 1998, \$18,930 was issued. The loan will be paid from energy savings realized from the energy conservation measures transferred from the general fund to the debt service fund.

Year Ending December 31	Notes Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2004	\$75,000	\$8,613	\$22,664	\$1,330
2005	75,000	4,676	0	0
2006	32,800	861	0	0
Totals	<u>\$182,800</u>	<u>\$14,150</u>	<u>\$22,664</u>	<u>\$1,330</u>

The School District's overall legal debt margin was \$4,761,385 with an unvoted debt margin \$243,763 at June 30, 2003.

Capital Leases will be paid from the general fund. Compensated absences and the longevity compensation will be paid from the general, miscellaneous state grants, miscellaneous federal grants and the food service funds.

**NOTE 16 – INTERNAL BALANCES**

Interfund balances at June 30, 2003 consist of the following individual interfund receivables and payables:

<u>Governmental Activities</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$74,766	\$0
Special Revenue Funds:		
Food Service	0	65,767
Miscellaneous Federal Grants	0	8,999
Total Special Revenue Funds	0	74,766
Other Nonmajor Governmental	\$74,766	\$74,766

The interfund receivable in the general fund is for the subsidy of the food service program and miscellaneous federal grants fund which the District intends to repay.

During fiscal year 2003, the General Fund transferred \$158,994 to the Debt Service Fund for the debt service principal and interest amounts for the energy conservation loan, school bus bonds, and the school bus loan and \$16,541 to permanent improvement fund.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Jefferson County Joint Vocational School* – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2003, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Karen Spoonmore, who serves as Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2003, the total amount paid to OME-RESA from the School District was \$29,277. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Richard Gummere, who serves as Interim Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*East Central Ohio Special Education Regional Resource Center (ECOSERRC)* – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

**NOTE 18 – INSURANCE PURCHASING POOL**

*Ohio School Plan* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP’s business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.



Buckeye Local School District, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2002	\$42,128	\$0	\$115,961
Current Year Set-aside Requirement	308,728	308,728	0
Qualifying Disbursements	<u>(436,957)</u>	<u>(284,319)</u>	<u>0</u>
Totals	<u>(\$86,101)</u>	<u>\$24,409</u>	<u>\$115,961</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(86,101)</u>	<u>0</u>	<u>0</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$24,409</u>	<u>\$115,961</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero and this amount may be carried forward to future years. The School District did not have qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount below zero. This positive amount must be held in cash at year-end and carried forward to be used for the same purpose in future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$140,370.

**NOTE 20 - CONTINGENCIES/SUBSEQUENT EVENTS**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 School District at June 30, 2003.

**B. Litigation**

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**NOTE 21 - 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 decision 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 its future State funding and on its financial operations

BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-02	10.550		\$28,291		\$28,291
National School Breakfast	02-PU-02	10.553	\$63,375		\$63,375	
National School Lunch Program	04-PU-02	10.555	264,720		264,720	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>328,095</u>	<u>28,291</u>	<u>328,095</u>	<u>28,291</u>
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-02 C1-S1-03 FY03	84.010	83,020 573,841 900		177,706 563,997 900	
Total Grants to Local Education Agencies			<u>657,761</u>		<u>742,603</u>	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	MS-S1-02 MS-S1-03	84.027	40,910 275,497		70,739 278,331	
Special Education - Preschool Grant	PG-02 PG-03	84.173	21,339		10,877 17,426	
Total Special Education Cluster			<u>337,746</u>		<u>377,373</u>	
Continuous Improvement Grant	GS-S1-02	84.276			5,321	
Innovative Education Program Strategies	C2-S1-02 C2-S1-03	84.298	561 18,225		2,668 18,226	
Total Innovative Education Program			<u>18,786</u>		<u>20,894</u>	
Improving Teacher Quality Program	FY 03	84.367	97,600		129,627	
Safe and Drug Free School Program	DR-S1-03	84.186	9,092		9,841	
Fund for the Improvement of Education	FY 03	84.215	34,700		34,913	
Class Size Reduction Grant	CR-S1-02	84.340			62,090	
Title II Eisenhower Grant	FY01 FY02	84.281	1,613		3,541 6,576	
Total Eisenhower Grant			<u>1,613</u>		<u>10,117</u>	
School Renovations Grant	FY 02 FY 03	84.352	8,030 19,394		8,024 19,394	
Total School Renovations Grant			<u>27,424</u>		<u>27,418</u>	
Rural Education Grant	FY 03	84.358	26,384		25,808	
Education Technology Grant	TE -02	84.318	19,860		16,018	
Total U.S. Department of Education			<u>\$1,230,966</u>		<u>\$1,462,023</u>	
<b>Total Federal Financial Awards</b>			<u><b>\$1,559,061</b></u>	<u><b>\$28,291</b></u>	<u><b>\$1,790,118</b></u>	<u><b>\$28,291</b></u>

The notes to the Federal Schedule of Awards Expenditures are an integral part of this schedule.

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**1. 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 using the cash basis of accounting.

**2. FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair 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, 2003 the District had no significant food commodities.



## Auditor of State Betty Montgomery

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

Buckeye Local School District  
Jefferson County  
198 Main Street  
P.O. Box 300  
Rayland, OH 43943

To the Board of Education:

We have audited the accompanying financial statements of Buckeye Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004, which includes a reference to the implementation of a new reporting model, as required by the provisions of Governmental Accounting Standards Board, Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Buckeye Local School District in a separate letter dated January 30, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. 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 dated January 30, 2004.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Buckeye Local School District  
Jefferson County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 30, 2004



## Auditor of State Betty Montgomery

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

Buckeye Local School District  
Jefferson County  
198 Main Street  
P.O. Box 300  
Rayland, Ohio 43943

To The Board of Education:

#### Compliance

We have audited the compliance of Buckeye Local School District, Jefferson County, (the District) with the types of compliance requirements described in the *U.S. office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State 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, Buckeye Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of law, 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. 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 dated January 30, 2004.

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.



**Betty Montgomery**  
Auditor of State

January 30, 2004



**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY  
JUNE 30, 2003**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505<sup>1</sup>**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.010 Title I 84.367 Improving Teacher Quality
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None	
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None	
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**Auditor of State  
Betty Montgomery**

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**BUCKEYE LOCAL SCHOOL DISTRICT**

**JEFFERSON 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  
APRIL 27, 2004**