



**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
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 the Buckeye Local School District, Jefferson County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an 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 the Buckeye Local School District, Jefferson County, Ohio as of June 30, 2004, and the respective changes in financial position and the respective cash flows, where applicable and the applicable 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 27, 2005

Buckeye Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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, 2004. 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 2004 are as follows:

- Net assets of governmental activities decreased \$920,977.
- General revenues accounted for \$14,125,017 in revenue or 76 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,396,275 or 24 percent of total revenues of \$18,521,292.
- Total assets of governmental activities decreased \$921,829 primarily due to a decrease in current assets in addition to annual depreciation expense.
- The School District had \$19,442,269 in expenses related to governmental activities; only \$4,396,275 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$14,125,017 were not adequate to provide for these programs.
- The general fund, one of the major funds had \$14,719,368 in revenues and \$15,261,658 in expenditures. The general fund balance decreased \$665,216.
- The debt service fund, the other major fund, had \$885,050 in revenues and \$1,087,245 in expenditures. The debt service fund balance decreased \$17,877.

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, 2004
Unaudited

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 2004?" 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, the School District's programs are all reported as 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, debt 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, 2004
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 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$9,421,033	\$10,260,761
Capital Assets	11,766,936	11,849,037
Total Assets	21,187,969	22,109,798
Liabilities		
Other Liabilities	7,913,402	7,577,543
Long-Term Liabilities	7,509,979	7,846,690
Total Liabilities	15,423,381	15,424,233
Net Assets		
Invested in Capital Assets, Net of Debt	7,900,798	7,587,017
Restricted	1,198,232	1,252,147
Unrestricted (Deficit)	(3,334,442)	(2,153,599)
Total Net Assets	\$5,764,588	\$6,685,565

Total assets decreased \$921,829. Current assets decreased by \$839,728 primarily due to a decrease in property taxes receivable as a result of a change in accounting estimate (See Note 3) and a decrease in intergovernmental receivable. The decrease in intergovernmental receivable was due to timely receipts of federal funding during fiscal year 2004. The decrease in capital assets was due to depreciation expense recorded for fiscal year 2004. The decrease in unrestricted net assets resulted from declining cash and depreciation expense on capital assets.

Total liabilities decreased \$852, due primarily to the payment of principal on outstanding debt.

Buckeye Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2004 compared to fiscal year 2003.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$869,351	\$521,868
Operating Grants	3,488,910	3,273,054
Capital Grants	38,014	72,659
General Revenues:		
Property Taxes	5,321,512	4,834,879
Grants and Entitlements	8,755,868	8,687,095
Others	47,637	97,294
<i>Total Revenues</i>	\$18,521,292	\$17,486,849
Program Expenses:		
Instruction:		
Regular	\$8,046,103	\$7,597,664
Special	2,318,971	2,293,675
Vocational	754,509	717,707
Support Services:		
Pupil	385,927	371,771
Instructional Staff	549,691	567,579
Board of Education, Administration, Fiscal and Business	2,358,961	2,272,097
Operation and Maintenance of Plant	1,949,421	1,877,678
Pupil Transportation	1,485,122	1,350,075
Central	2,000	2,408
Operation of Non-Instructional Services	615	9,179
Food Service Operations	749,879	807,549
Extracurricular Activities	342,959	370,055
Interest and Fiscal Charges	498,111	647,521
<i>Total Expenses</i>	\$19,442,269	\$18,884,958
<i>Decrease in Net Assets</i>	(\$920,977)	(\$1,398,109)

Buckeye Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

In 2004, 29 percent of the School District's revenues were from property taxes and 47 percent were from unrestricted grants and entitlements. Property taxes increased by \$486,633 from the prior year primarily due to the change in the amount available as an advance on the August tax settlement from fiscal year 2003 to fiscal year 2004. This increase was offset by a decrease in the amount of delinquencies that were estimated to be collectible by the Jefferson County Auditor (See Note 3). Unrestricted grants and entitlements increased slightly by \$68,773.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 72 percent is for regular instruction, 21 percent for special instruction, and 7 percent for vocational instruction. Instructional program expenses increased by \$510,537 from the prior year due to the continuing increases in salaries, benefits, utilities, and other operating costs.

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 for fiscal year 2004 compared to fiscal year 2003. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Instruction:				
Regular	\$8,046,103	\$7,597,664	\$6,684,558	\$6,269,350
Special	2,318,971	2,293,675	883,736	1,284,851
Vocational	754,509	717,707	660,911	716,530
Support Services:				
Pupil	385,927	371,771	360,100	317,948
Instructional Staff	549,691	567,579	194,626	233,766
Board of Education, Administration, Fiscal and Business	2,358,961	2,272,097	2,116,235	2,082,202
Operation and Maintenance of Plant	1,949,421	1,877,678	1,921,838	1,816,638
Pupil Transportation	1,485,122	1,350,075	1,420,905	1,274,395
Central	2,000	2,408	110	23
Operation of Non-Instructional Services	615	9,179	(35)	9,179
Food Service Operations	749,879	807,549	81,929	120,868
Extracurricular Activities	342,959	370,055	222,970	244,106
Interest and Fiscal Charges	498,111	647,521	498,111	647,521
Total Expenses	<u>\$19,442,269</u>	<u>\$18,884,958</u>	<u>\$15,045,994</u>	<u>\$15,017,377</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 73 percent of expenses are supported through taxes and other general revenues.

Buckeye Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$14,719,368 and expenditures of \$15,261,658. The general fund had a deficit fund balance at June 30, 2004 of \$271,981. The primary cause of the deficit balance is liabilities for accrued wages and benefits. In an attempt to alleviate the deficit, the District has implemented cost saving measures such as lower health insurance coverage.

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 2004, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$11,766,936 invested in land, buildings, furniture, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

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

	Governmental Activities	
	2004	2003
Land	\$579,049	\$579,049
Land Improvements	182,293	218,438
Buildings and Improvements	10,250,205	10,362,581
Furniture and Equipment	409,078	333,801
Vehicles	346,311	355,168
Totals	\$11,766,936	\$11,849,037

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, 2004
Unaudited

Debt

At June 30, 2004, the School District had \$5,966,587 in bonds, loans, and capital leases outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
1993 School Improvement Refunding Bonds -		
Capital Appreciation Bonds	\$2,291,542	\$2,675,538
Term Bonds	0	3,175,000
2003 Refunding Bonds -		
Serial and Capital Appreciation Bonds	3,283,360	0
1996 Energy Conservation Loan	107,800	182,800
2000 School Bus Loan	0	22,664
Capital Leases	283,885	306,762
Totals	<u><u>\$5,966,587</u></u>	<u><u>\$6,362,764</u></u>

See note 15 for more detailed information on the School District's debt.

Economic Factors

Buckeye Local School District is currently experiencing financial difficulty. 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 implementing several cost cutting measures.

As of January 1, 2004 all noncertified employees have enrolled in lower cost health insurance coverage. Family coverage decreased by \$295.71 per month per employee enrolled in the family coverage plan. Single coverage decreased by \$120.61 per month per employee enrolled in the single coverage plan. The District is in the process of enrolling all remaining employees in the same health coverage as an additional cost saving measure.

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, 6898 State Route 150, Dillonvale, Ohio 43917.

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Buckeye Local School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,347,557
Intergovernmental Receivable	194,952
Prepaid Items	17,258
Inventory Held for Resale	5,120
Materials and Supplies Inventory	77,097
Property Taxes Receivable	6,709,443
Deferred Charges	69,606
Non-Depreciable Capital Assets	579,049
Depreciable Capital Assets, Net	11,187,887
<i>Total Assets</i>	21,187,969
Liabilities	
Accounts Payable	41,145
Accrued Wages and Benefits Payable	1,640,932
Matured Severance Payable	4,288
Intergovernmental Payable	683,745
Accrued Interest Payable	5,203
Deferred Revenue	5,538,089
Long-Term Liabilities:	
Due Within One Year	1,062,393
Due In More Than One Year	6,447,586
<i>Total Liabilities</i>	15,423,381
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,900,798
Restricted for:	
Debt Service	1,135,020
Other Purposes	63,212
Unrestricted (Deficit)	(3,334,442)
<i>Total Net Assets</i>	\$5,764,588

See accompanying notes to the basic financial statements

Buckeye Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$8,046,103	\$4,960	\$1,356,585	\$0
Special	2,318,971	351,098	1,046,123	38,014
Vocational	754,509	0	93,598	0
Support Services:				
Pupil	385,927	0	25,827	0
Instructional Staff	549,691	0	355,065	0
Board of Education	57,402	0	0	0
Administration	1,821,184	0	185,873	0
Fiscal	424,778	0	0	0
Business	55,597	26,574	30,279	0
Operation and Maintenance of Plant	1,949,421	425	27,158	0
Pupil Transportation	1,485,122	63,804	413	0
Central	2,000	0	1,890	0
Operation of Non-Instructional Services	615	0	650	0
Food Service Operations	749,879	302,501	365,449	0
Extracurricular Activities	342,959	119,989	0	0
Interest and Fiscal Charges	498,111	0	0	0
<i>Total Governmental Activities</i>	<u>\$19,442,269</u>	<u>\$869,351</u>	<u>\$3,488,910</u>	<u>\$38,014</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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental
Activities

(\$6,684,558)

(883,736)

(660,911)

(360,100)

(194,626)

(57,402)

(1,635,311)

(424,778)

1,256

(1,921,838)

(1,420,905)

(110)

35

(81,929)

(222,970)

(498,111)

(15,045,994)

4,727,902

593,610

8,755,868

15,324

32,313

14,125,017

(920,977)

6,685,565

\$5,764,588

Buckeye Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$696,358	\$1,142,287	\$392,951	\$2,231,596
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	115,961	0	0	115,961
Receivables:				
Property Taxes	5,991,610	717,833	0	6,709,443
Intergovernmental	24,652	0	170,300	194,952
Interfund	75,730	0	0	75,730
Prepaid Items	17,258	0	0	17,258
Inventory Held for Resale	0	0	5,120	5,120
Materials and Supplies Inventory	74,736	0	2,361	77,097
<i>Total Assets</i>	<u>\$6,996,305</u>	<u>\$1,860,120</u>	<u>\$570,732</u>	<u>\$9,427,157</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$35,418	\$0	\$5,727	\$41,145
Accrued Wages and Benefits	1,323,731	0	317,201	1,640,932
Matured Severance Payable	4,288	0	0	4,288
Interfund Payable	0	0	75,730	75,730
Intergovernmental Payable	305,965	0	94,888	400,853
Deferred Revenue	5,598,884	665,212	30,245	6,294,341
<i>Total Liabilities</i>	<u>7,268,286</u>	<u>665,212</u>	<u>523,791</u>	<u>8,457,289</u>
Fund Balances (Deficit)				
Reserved for Encumbrances	54,743	0	54,774	109,517
Reserved for Property Taxes	417,378	52,621	0	469,999
Reserved for Budget Stabilization	115,961	0	0	115,961
Unreserved, Undesignated, (Deficit) Reported in:				
General Fund	(860,063)	0	0	(860,063)
Special Revenue Funds	0	0	(4,876)	(4,876)
Debt Service Fund	0	1,142,287	0	1,142,287
Capital Projects Funds	0	0	(2,957)	(2,957)
<i>Total Fund Balances</i>	<u>(271,981)</u>	<u>1,194,908</u>	<u>46,941</u>	<u>969,868</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,996,305</u>	<u>\$1,860,120</u>	<u>\$570,732</u>	<u>\$9,427,157</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, 2004*

Total Governmental Fund Balances \$969,868

*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. 11,766,936

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

Grants	54,897
Property Taxes	<u>701,355</u>

Total 756,252

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and, therefore, are
not reported in the funds. 69,606

Intergovernmental payable includes contractually required pension
contributions not expected to be paid with available resources,
and therefore, are not reported in the funds. (282,892)

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	5,574,902
Compensated Absences	1,543,392
Energy Conservation Loan	107,800
Accrued Interest Payable	5,203
Capital Leases	<u>283,885</u>

Total (7,515,182)

Net Assets of Governmental Activities \$5,764,588

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, 2004

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$5,026,837	\$629,011	\$0	\$5,655,848
Intergovernmental	9,260,116	256,039	2,728,276	12,244,431
Interest	15,182	0	142	15,324
Tuition and Fees	384,925	0	30,574	415,499
Extracurricular Activities	0	0	150,926	150,926
Rent	425	0	0	425
Contributions and Donations	7,000	0	30,279	37,279
Charges for Services	0	0	302,501	302,501
Miscellaneous	24,883	0	7,430	32,313
<i>Total Revenues</i>	<u>14,719,368</u>	<u>885,050</u>	<u>3,250,128</u>	<u>18,854,546</u>
Expenditures				
Current:				
Instruction:				
Regular	6,895,804	0	903,421	7,799,225
Special	1,273,982	0	1,002,503	2,276,485
Vocational	731,914	0	0	731,914
Support Services:				
Pupil	357,542	0	24,426	381,968
Instructional Staff	139,444	0	340,114	479,558
Board of Education	57,412	0	0	57,412
Administration	1,605,788	0	165,797	1,771,585
Fiscal	406,182	17,205	0	423,387
Business	0	0	55,597	55,597
Operation and Maintenance of Plant	1,868,105	0	27,137	1,895,242
Pupil Transportation	1,438,268	0	437	1,438,705
Central	0	0	2,000	2,000
Operation of Non-Instructional Services	0	0	615	615
Food Service Operations	0	0	697,008	697,008
Extracurricular Activities	228,146	0	116,266	344,412
Capital Outlay	144,215	0	181,130	325,345
Debt Service:				
Principal Retirement	105,729	249,970	0	355,699
Interest and Fiscal Charges	9,127	140,569	0	149,696
Interest on Capital Appreciation Bonds	0	602,694	0	602,694
Issuance Costs	0	76,807	0	76,807
<i>Total Expenditures</i>	<u>15,261,658</u>	<u>1,087,245</u>	<u>3,516,451</u>	<u>19,865,354</u>
<i>Excess of Revenues Under Expenditures</i>	(542,290)	(202,195)	(266,323)	(1,010,808)
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	3,174,986	0	3,174,986
Premium on Refunding Bonds	0	135,589	0	135,589
Payment to Refunded Bond Escrow Agent	0	(3,233,941)	0	(3,233,941)
Inception of Capital Lease	82,852	0	0	82,852
Transfers In	0	107,684	98,094	205,778
Transfers Out	(205,778)	0	0	(205,778)
Total Other Financing Sources (Uses)	<u>(122,926)</u>	<u>184,318</u>	<u>98,094</u>	<u>159,486</u>
<i>Net Change in Fund Balances</i>	(665,216)	(17,877)	(168,229)	(851,322)
<i>Fund Balances at Beginning of Year</i>	<u>393,235</u>	<u>1,212,785</u>	<u>215,170</u>	<u>1,821,190</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>(\$271,981)</u>	<u>\$1,194,908</u>	<u>\$46,941</u>	<u>\$969,868</u>

See accompanying notes to the basic financial statements

Buckeye Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$851,322)

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	481,179	
Depreciation	(563,280)	
Total	(82,101)	(82,101)

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

Grants	1,082	
Property Taxes	(334,336)	
Total	(333,254)	(333,254)

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 Capital Appreciation Bonds Principal	152,306	
General Obligation Capital Appreciation Bonds Accretion	602,694	
Energy Conservation Loans	75,000	
School Bus Loan	22,664	
Capital Leases	105,729	
Total	958,393	958,393

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	61,516	
Accretion of Interest	(409,915)	
Total	(348,399)	(348,399)

Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities.

Issuance Costs	76,807	
Amortization of Issuance Costs	(7,201)	
Total	69,606	69,606

General obligation bonds issued and bond premiums are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets

General Obligation Bonds Issued	(3,174,986)	
Premium on Bonds Issued	(135,589)	
Amortization of Premium	12,711	
Total	(3,297,864)	(3,297,864)

Payment to refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 3,233,941

The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities. (5,526)

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities. (82,852)

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	(122,133)	
Longevity Payable	4,400	
Compensated Absences Payable	(63,866)	
Total	(181,599)	(181,599)

Changes in Net Assets of Governmental Activities (\$920,977)

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, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$5,698,493	\$5,570,769	\$5,570,769	\$0
Intergovernmental	8,997,624	9,260,116	9,260,116	0
Interest	35,000	15,182	15,182	0
Tuition and Fees	49,300	384,925	384,925	0
Rent	0	425	425	0
Contributions and Donations	5,000	7,000	7,000	0
Miscellaneous	4,000	21,657	24,883	3,226
<i>Total Revenues</i>	<u>14,789,417</u>	<u>15,260,074</u>	<u>15,263,300</u>	<u>3,226</u>
Expenditures				
Current:				
Instruction:				
Regular	6,823,093	7,371,253	7,086,410	284,843
Special	1,130,886	1,130,395	1,274,851	(144,456)
Vocational	758,381	747,981	733,771	14,210
Support Services:				
Pupils	359,085	359,085	354,293	4,792
Instructional Staff	184,300	184,300	147,400	36,900
Board of Education	76,940	76,940	55,098	21,842
Administration	1,646,472	1,628,650	1,603,534	25,116
Fiscal	500,160	500,160	417,883	82,277
Operation and Maintenance of Plant	1,849,329	1,849,329	1,816,686	32,643
Pupil Transportation	1,443,750	1,462,112	1,433,656	28,456
Extracurricular Activities	263,143	263,143	226,136	37,007
Capital Outlay	67,000	130,234	61,363	68,871
<i>Total Expenditures</i>	<u>15,102,539</u>	<u>15,703,582</u>	<u>15,211,081</u>	<u>492,501</u>
Excess of Revenues Over (Under) Expenditures	<u>(313,122)</u>	<u>(443,508)</u>	<u>52,219</u>	<u>495,727</u>
Other Financing Sources (Uses)				
Transfers In	752,000	628,234	0	(628,234)
Advances In	0	143,237	29,036	(114,201)
Transfers Out	(950,217)	(950,217)	(205,778)	744,439
Advances Out	(100,000)	(100,000)	(30,000)	70,000
Total Other Financing Sources (Uses)	<u>(298,217)</u>	<u>(278,746)</u>	<u>(206,742)</u>	<u>72,004</u>
<i>Net Change in Fund Balance</i>	<u>(611,339)</u>	<u>(722,254)</u>	<u>(154,523)</u>	<u>567,731</u>
<i>Fund Balance at Beginning of Year</i>	839,359	839,359	839,359	0
Prior Year Encumbrances Appropriated	72,240	72,240	72,240	0
<i>Fund Balance at End of Year</i>	<u>\$300,260</u>	<u>\$189,345</u>	<u>\$757,076</u>	<u>\$567,731</u>

See accompanying notes to the basic financial statements

Buckeye Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$19,541	\$66,381
<i>Total Assets</i>	19,541	\$66,381
Liabilities		
Due to Students	0	66,381
<i>Total Liabilities</i>	0	\$66,381
Net Assets		
Held in Trust for Scholarships	19,541	
<i>Total Net Assets</i>	\$19,541	

See accompanying notes to the basic financial statements

Buckeye Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust Fund
Additions	
Contributions and Donations	\$38,051
Interest	223
	38,274
Deductions	
Scholarships Awarded	18,733
	19,541
<i>Change in Net Assets</i>	
	19,541
<i>Net Assets Beginning of Year</i>	0
	0
<i>Net Assets End of Year</i>	\$19,541
	\$19,541

See accompanying notes to the basic financial statements

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 108 non-certified employees, 179 certified full-time teaching personnel, and 12 administrative employees who provide services to 2,372 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 general purpose 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.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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.

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.

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

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 one private purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts 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.

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

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

The 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".

During fiscal year 2004, investments were limited to certificates of deposit, 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, 2004. Repurchase agreements and certificates of deposit are reported at cost.

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 2004 amounted to \$15,182 which includes \$11,062 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 on the financial statements 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 represent amounts required by State statute to be set aside to create a reserve for budget stabilization.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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 maintains a capitalization threshold of \$5,000. 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. Bond Premiums, Discounts, Gains/Losses and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond discounts are presented as an addition to the face amount of the bonds.

Any gain or loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. 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.

O. 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, and budget stabilization

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. 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 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 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.

Q. 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.

R. 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.

S. 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 sets 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 fund level for all 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 fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 – CHANGES IN ACCOUNTING PRINCIPLE/ACCOUNTING ESTIMATE

Change in Accounting Principle For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are component Units.” This Statement further defines the guidelines of GASB Statement No.14, “The Financial Reporting Entity.” At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statement 39.

Change in Accounting Estimate For fiscal year 2004, the County Auditor has deemed 79 percent of the delinquent personal property tax receivable as uncollectible. In prior years, the full amount of delinquent personal property tax was considered collectible. This change in estimating the collectible delinquent personal property tax has resulted in a decrease in the tax receivable as well as a decrease in recognized tax revenue in the Statement of Activities.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability:

At June 30, 2004, the following fund had a deficit fund balance:

	Deficit Fund Balance
General Fund	<u><u>\$271,981</u></u>

The deficit in the General fund was created by the application of generally accepted accounting principles. The primary cause of the deficit balance is liabilities for accrued wages and benefits. In an attempt to alleviate these deficits, the District has implemented cost saving measures such as lower cost health insurance coverage.

B. Legal Compliance:

The debt service fund had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Revised Code in the amount of \$2,168,287.

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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	(\$665,216)
Revenue Accruals	461,080
Advances In	29,036
Expenditure Accruals	105,820
Advances Out	(30,000)
Encumbrances	<u>(55,243)</u>
Budget Basis	<u><u>(\$154,523)</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.

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,

Buckeye Local School District
Notes to the Basic Financial Statements
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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.

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 \$1,584,013 and the bank balance was \$2,543,239. Of the bank balance:

- A. \$127,824 was covered by federal depository insurance; and
- B. \$2,415,415 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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>Unclassified</u>	<u>Carrying and Fair Value</u>
STAR Ohio	<u>\$849,466</u>	<u>\$849,466</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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,433,479	\$0
Investments:		
STAR Ohio	(849,466)	849,466
GASB Statement 3	\$1,584,013	\$849,466

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. 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, 2004, are available to finance fiscal year 2004 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The amount available as an advance at June 30, 2004 was \$417,378 in the general fund and \$52,621 in the debt service fund. The amount available as an advance at June 30, 2003, was \$951,643 in the general fund and \$124,918 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 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$141,333,410	57.5%	\$151,281,160	58.5%
Public Utility Personal	82,872,260	33.7%	81,052,580	31.3%
Tangible Personal	21,557,630	8.8%	26,426,567	10.2%
	\$245,763,300	100.0%	\$258,760,307	100.0%
Tax Rate per \$1,000 of assessed valuation		\$30.40		\$30.40

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, 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. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
E-Rate Reimbursement	\$24,652
Lunch and Breakfast Subsidy	36,557
Preschool	16,402
Part B - IDEA	62,457
Title VI	1,154
Title II-A	45,025
Title VI-B	8,705
Total Intergovernmental Receivables	\$194,952

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 – CAPITAL ASSETS

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

	6/30/03	Additions	Deletions	6/30/04
Capital Assets - Not Depreciated:				
Land	\$579,049	0	0	\$579,049
Capital Assets - Depreciated:				
Land Improvements	909,833	6,780	0	916,613
Buildings and Improvements	17,512,681	194,991	0	17,707,672
Furniture and Equipment	726,312	167,464	0	893,776
Vehicles	1,381,167	111,944	0	1,493,111
Total Capital Assets - Depreciated	20,529,993	481,179	0	21,011,172
Less Accumulated Depreciation:				
Land Improvements	(691,395)	(42,925)	0	(734,320)
Buildings and Improvements	(7,150,100)	(307,367)	0	(7,457,467)
Furniture and Equipment	(392,511)	(92,187)	0	(484,698)
Vehicles	(1,025,999)	(120,801)	0	(1,146,800)
Total Accumulated Depreciation	(9,260,005)	(563,280)	0	(9,823,285)
Total Capital Assets - Depreciated, Net	11,269,988	(82,101)	0	11,187,887
Governmental Capital Assets, Net	\$11,849,037	(\$82,101)	\$0	\$11,766,936

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$230,500
Special	39,958
Vocational	27,663
Support Services:	
Instructional Staff	43,030
Administration	37,221
Operation and Maintenance of Plant	34,291
Pupil Transportation	120,743
Food Service Operations	26,120
Extracurricular Activities	3,754
Total Depreciation Expense	\$563,280

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 2004 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 2004, 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

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 St. 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 or by calling (614) 222-5853.

Plan members are required to contribute 10 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, 2004, 2003 and 2002 were \$207,013, \$211,869 and \$121,980 respectively; 43.65 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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.

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, 2004, plan members were required to contribute 10 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 2003, the portion used to fund pension obligations was also 13 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, 2004, 2003, and 2002 were \$1,188,122, \$1,110,793, and \$1,062,102 respectively; 66.43 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$4,687 made by the School District and \$11,383 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, 2004, 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 \$72,684 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$368,739,000 and STRS had 111,853 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.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$274,939.

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, 2003, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$330.8 million. SERS has approximately 62,000 participants receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and certain administrators 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. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to maximum of 240 days for teachers and administrators. In lieu of the 25 percent retirement payment, the certified staff may choose to receive retirement pay consisting of fifty dollars for each day of accumulated, unused sick leave on the date of retirement. For the classified employees, payment upon retirement is 30 percent of the unused accumulated sick leave without limit.

B. Health/Life Insurance

The School District provides medical, health, and prescription card coverage for all eligible employees through the Health Plan. The School District pays 100 percent of the total monthly premiums of \$764.13 for family coverage and \$305.65 for single coverage.

Dental coverage is provided through Met Life. The School District also pays 100 percent of the total monthly premiums of \$46.26 for family coverage and \$14.81 for single coverage.

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

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 the administrative offices. The School District has also entered into a lease for fitness equipment to be used for educational purposes.

The leases meet 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 has been capitalized in government wide statements governmental activities in the amount of \$477,808, 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 assets are reflected net of accumulated depreciation in the amount of \$420,709. Principal payments in fiscal year 2004 totaled \$105,729 in the governmental funds.

Future minimum lease payments through 2008 are as follows:

Fiscal Year Ending June 30, 2004	Principal	Interest	Total
2005	\$75,742	\$13,691	\$89,433
2006	77,143	10,024	\$87,167
2007	64,000	6,552	\$70,552
2008	67,000	3,348	\$70,348
Total	<u>\$283,885</u>	<u>\$33,615</u>	<u>\$317,500</u>

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due Within One Year
General Obligation Bonds:					
1993 School Improvement Refunding Bonds \$3,749,794					
Term Bonds - \$3,175,000 @ 5.625%	\$3,175,000	\$0	\$3,175,000	\$0	\$0
Capital Appreciation Bonds \$574,794 @ 5.2%-5.6%	574,794	0	152,306	422,488	130,577
Accretion of Interest - \$3,205,206 @ 15.95%-16.0%	2,100,744	371,004	602,694	1,869,054	624,423
2003 School Improvement Refunding Bonds \$3,174,986					
Serial Bonds - \$1,875,000 @ 1.5%-3.75%	0	1,875,000	0	1,875,000	65,000
Capital Appreciation Bonds - \$1,299,986 @ 2.88%-3.23%	0	1,299,986	0	1,299,986	0
Accretion of Interest - \$307,014 @ 4.476%	0	38,911	0	38,911	0
Premium - \$135,589	0	135,589	12,711	122,878	0
Refunding Difference - \$58,941	0	(58,941)	(5,526)	(53,415)	0
Total General Obligation Bonds	5,850,538	3,661,549	3,937,185	5,574,902	820,000
1996 Energy Conservation Loan - \$727,800 @ 5.25%	182,800	0	75,000	107,800	75,000
2000 School Bus Loan - \$107,381 @ 5.87%	22,664	0	22,664	0	0
Capital Leases	306,762	82,852	105,729	283,885	75,742
Compensated Absences	1,479,526	241,948	178,082	1,543,392	91,651
Total General Long-Term Obligations	\$7,842,290	\$3,986,349	\$4,318,660	\$7,509,979	\$1,062,393

1993 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. 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 these bonds were originally placed in an irrevocable trust to provide for all future debt service payments on the old bonds, and as of June 30, 2004 all of the old bonds were fully paid.

At June 30, 2004 the full amount of the serial bonds had been retired by the School District through annual debt service repayments. The current interest term bonds were refunded during fiscal year 2004 through the issuance of the 2003 School Improvement Refunding Bonds addressed below.

The capital appreciation bonds remained outstanding at June 30, 2004. These bonds were originally 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 2003 through 2008.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

During fiscal year 2004 capital appreciation bonds matured and were retired with an original principal amount of \$152,306 and an accreted interest amount of \$602,694 (for a total of \$755,000). The maturity amount of outstanding capital appreciation bonds at June 30, 2004 is \$3,025,000. The accretion recorded for 2004 was \$371,004, for a total outstanding bond liability of \$2,291,542 at June 30, 2004.

Principal and interest requirements to retire general obligation bonds for the 1993 School Improvement Refunding Bonds outstanding at June 30, 2004 are as follows:

<u>1993 School Improvement Capital Appreciation Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$130,577	\$624,423	\$755,000
2006	111,951	643,049	755,000
2007	96,572	658,428	755,000
2008	83,388	676,612	760,000
Totals	<u>\$422,488</u>	<u>\$2,602,512</u>	<u>\$3,025,000</u>

2003 School Improvement Refunding General Obligation Bonds – On October 1, 2003, the Buckeye Local School District issued \$3,174,986 of general obligation bonds. The bonds were issued to refund \$3,175,000 of outstanding 1993 School Improvement Refunding General Obligation Term Bonds. The bonds were issued for an 8 year period with final maturity at December 1, 2011. At the date of refunding, \$3,233,941 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 School Improvement Refunding Term Bonds. All of the term bonds were called and fully repaid prior to June 30, 2004.

These refunding bonds were issued with a premium of \$135,589 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2004 was \$12,711. The issuance costs of \$76,807 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method, the amortization of the issuance costs for fiscal year 2004 was \$7,201. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$58,941. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$345,250. The issuance resulted in an economic gain of \$304,245.

The 2003 bond issue consists of serial and capital appreciation bonds, \$1,875,000 and \$1,299,986, respectively. These bonds are not subject to early redemption.

The capital appreciation bonds for this issue mature December 1, 2008 through December 1, 2009. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$1,607,000. For fiscal year 2004, \$38,911 was accreted for a total bond liability of \$1,338,897.

Principal and interest requirements to retire general obligation bonds for the 2003 School Improvement Refunding Bonds outstanding at June 30, 2004 are as follows:

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

2003 School Improvement Refunding Bonds			
Fiscal Year	Principal	Accretion/ Interest	Total
2005	\$65,000	\$61,650	\$126,650
2006	75,000	60,412	135,412
2007	75,000	58,912	133,912
2008	75,000	57,225	132,225
2009	664,376	226,912	891,288
2010-2012	2,220,610	311,758	2,532,368
Totals	\$3,174,986	\$776,869	\$3,951,855

Energy Conservation Loan – On April 3, 1996, Buckeye Local School District issued \$553,682 in unvoted general obligation note 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 note was issued for a ten year period with final maturity during fiscal year 2006. The note was issued as a loan for which the School District could 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.

Energy Conservation Loan Payable		
Fiscal Year	Principal	Interest
2005	\$75,000	\$4,673
2006	32,800	861
Totals	\$107,800	\$5,534

School Bus Loan – On July 1, 2000, Buckeye Local School District entered into a loan in the amount of \$107,381 for the purchase of two school buses. The loan was issued for a four year period with final maturity in fiscal year 2004. The loan was completely retired during fiscal year 2004.

The School District's overall legal debt margin was \$20,832,241, with an unvoted debt margin of \$258,760, at June 30, 2004.

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

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 16 – INTERNAL BALANCES and TRANSFERS

Interfund balances at June 30, 2004 consist of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Nonmajor Governmental	\$75,730

The interfund receivable in the general fund is for the subsidy of the food service program that is intended to be repaid.

During fiscal year 2004, the General Fund transferred \$107,684 to the Debt Service Fund for the debt service principal and interest amounts for the energy conservation loan and the school bus loan and \$98,094 to the permanent improvement fund for improvements on the building that houses the bus garage and the administrative offices.

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 2004, 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 2004, the total amount paid to OME-RESA from the School District was \$54,915. 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, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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.

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.

Buckeye Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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, 2003	\$0	\$24,409	\$115,961
Current Year Set-aside Requirement	341,184	341,184	0
Allowable Carry Forward from Fiscal Year 2003	(86,101)	0	0
Current Year Offsets	0	(77,397)	0
Qualifying Transfers	0	(98,094)	0
Qualifying Disbursements	<u>(376,260)</u>	<u>(259,311)</u>	<u>0</u>
Totals	<u>(\$121,177)</u>	<u>(\$69,209)</u>	<u>\$115,961</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$121,177)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$115,961</u>

The School District had offsets, transfers and qualifying disbursements during the fiscal year that reduced both the textbook and capital improvement set-asides amounts to below zero. Only the textbook balance amount may be carried forward to reduce future year requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$115,961.

NOTE 20 - 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

NOTE 21 - 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, 2004.

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.

BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation Program	03-PU-02	10.550		\$25,820		\$25,820
National School Breakfast	02-PU-02	10.553	\$68,453		\$68,453	
National School Lunch Program	04-PU-02	10.555	289,733		289,733	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>358,186</u>	<u>25,820</u>	<u>358,186</u>	<u>25,820</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	C1-S1-03 C1-S1-04 FY04	84.010	150,593 723,626 2,100		134,934 629,830	
Total Title I - Grants to Local Education Agencies			<u>876,319</u>		<u>764,764</u>	
Special Education Cluster:						
Special Education Grants to States	MS-S1-03 MS-S1-04	84.027	69,772 344,123		66,939 319,235	
Total Special Education Grants to States			<u>413,895</u>		<u>386,174</u>	
Special Education - Preschool Grant	PG-03 PG-04	84.173			3,912 21,230	
Total Special Education - Preschool Grant					<u>25,142</u>	
Total Special Education Cluster			<u>413,895</u>		<u>411,316</u>	
State Grants for Innovative Programs	C2-S1-02 C2-S1-03 C2-S1-04	84.298			2,262 (1) 9,237	
Total State Grants for Innovative Programs			<u>13,102</u>		<u>11,498</u>	
Improving Teacher Quality State Program	FY 03 FY 04	84.367	56,131 167,776		40,969 152,105	
Total Improving Teacher Quality State Program			<u>223,907</u>		<u>193,074</u>	
Safe and Drug Free School and Communities State Grant	DR-S1-03 DR-S1-04	84.186	12,358 21,048		5,308 20,068	
Total Safe and Drug Free School and Communities State Grant			<u>33,406</u>		<u>25,376</u>	
Fund for the Improvement of Education	FY 03	84.215	5,300		5,980	
Rural Education Grant	FY 03 FY 04	84.358	14,278 1,438		10,613 5,679	
Total Rural Education Grant			<u>15,716</u>		<u>16,292</u>	
Education Technology State Grant	FY01 FY02	84.318			3,842 19,402	
Total Education Technology State Grant			<u>19,643</u>		<u>23,244</u>	
Total U.S. Department of Education			<u>1,601,288</u>		<u>1,451,544</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY						
Public Assistance Grants		97.036	4,607			
Total Federal Financial Awards			<u>\$1,964,081</u>	<u>\$25,820</u>	<u>\$1,809,730</u>	<u>\$25,820</u>

The notes to the Schedule of Federal 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, 2004**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards (the Schedule) summarizes activity of the District's Federal Award Programs. The Schedule has been prepared using the cash basis of accounting.

B. 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, 2004 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
P.O. Box 300
Rayland, Ohio 43943

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2005. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2004-001. We also noted matters of immaterial noncompliance, which we have reported to the management of the Buckeye Local School District in a separate letter dated January 27, 2005.

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 a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in a separate letter dated January 27, 2005.

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 27, 2005



Auditor of State Betty Montgomery

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

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United 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, the Buckeye Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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 a certain matter involving internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 27, 2005.

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

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

Betty Montgomery
Auditor of State

January 27, 2005

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS
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<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)?	Yes
<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):	Title I CFDA #84.010
<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

2004-001	
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Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

Appropriations of the Debt Service Fund totaled \$2,152,899 and total expenditures plus encumbrances were \$4,321,186. Expenditures plus encumbrances exceeded appropriations by \$2,168,287. Appropriations, as estimated by the Treasurer and passed by the Board of Education, did not include all estimated expenditures associated with debt issues being retired through the Debt Service Fund.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 .505
JUNE 30, 2004
(Continued)**

The District Treasurer should monitor expenditures by comparing the expenditures to appropriations and should approach the Board of Education to request amendments to the original appropriations as necessary to guard against overspending.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None	
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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
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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
MARCH 31, 2005**