



**Auditor of State
Betty Montgomery**

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Boardman Local School District
Mahoning County
7410 Market Street
Youngstown, Ohio 44512

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Boardman Local School District, Mahoning County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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, the business-type activities, the major fund, and the aggregate remaining fund information of Boardman Local School District, Mahoning County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated fund balances due to the implementation of GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

July 31, 2006

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The management's discussion and analysis of Boardman Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$3,871,585. Net assets of governmental activities increased \$3,826,994, which represents a 27.80% increase from 2004. Net assets of business-type activities increased \$44,591 or 63.57% from 2004.
- General revenues accounted for \$41,809,611 in revenue or 93.91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,713,498 or 6.09% of total revenues of \$44,523,109.
- The District had \$40,696,115 in expenses related to governmental activities; only \$2,713,498 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$41,809,611 were adequate to provide for these programs resulting in an increase to net assets from \$13,767,586 to \$17,594,580.
- The District had \$1,376,519 in expenses related to business-type activities; a total of \$1,358,654 was offset by program specific charges for services, grants and contributions. General revenues for business-type activities were \$62,456. Total revenues were adequate to provide for these programs by \$44,591 resulting in an increase to net assets from \$70,146 to \$114,737.
- The District's only major governmental fund is the general fund. The general fund had \$40,225,403 in revenues and other financing sources and \$37,946,079 in expenditures and other financing uses. The general fund's fund balance increased \$2,284,458 from a deficit of \$1,035,824 to a positive balance of \$1,248,634.

Using these Basic Financial Statements

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

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

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's adult education, special enterprise and food service operations are reported as business-type activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-54 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

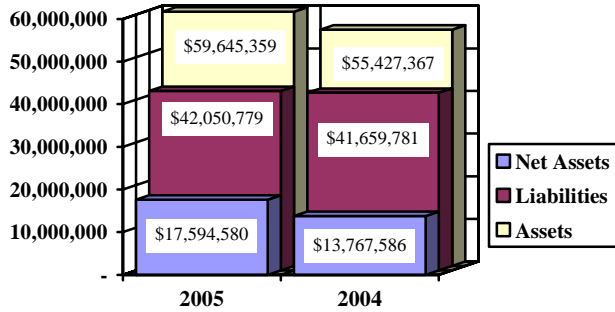
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current assets	\$41,209,291	\$37,805,253	\$ 248,203	\$ 228,403	\$41,457,494	\$38,033,656
Capital assets	<u>18,436,068</u>	<u>17,622,114</u>	<u>59,966</u>	<u>48,041</u>	<u>18,496,034</u>	<u>17,670,155</u>
Total assets	<u>59,645,359</u>	<u>55,427,367</u>	<u>308,169</u>	<u>276,444</u>	<u>59,953,528</u>	<u>55,703,811</u>
<u>Liabilities</u>						
Current liabilities	35,312,392	34,852,966	151,796	169,270	35,464,188	35,022,236
Long-term liabilities	<u>6,738,387</u>	<u>6,806,815</u>	<u>41,636</u>	<u>37,028</u>	<u>6,780,023</u>	<u>6,843,843</u>
Total liabilities	<u>42,050,779</u>	<u>41,659,781</u>	<u>193,432</u>	<u>206,298</u>	<u>42,244,211</u>	<u>41,866,079</u>
<u>Net Assets</u>						
Invested in capital assets, net of debt	15,244,058	14,341,455	59,966	48,041	15,304,024	14,389,496
Restricted	1,186,221	1,166,011	-	-	1,186,221	1,166,011
Unrestricted	<u>1,164,301</u>	<u>(1,739,880)</u>	<u>54,771</u>	<u>22,105</u>	<u>1,219,072</u>	<u>(1,717,775)</u>
Total net assets	<u>\$17,594,580</u>	<u>\$13,767,586</u>	<u>\$ 114,737</u>	<u>\$ 70,146</u>	<u>\$17,709,317</u>	<u>\$13,837,732</u>

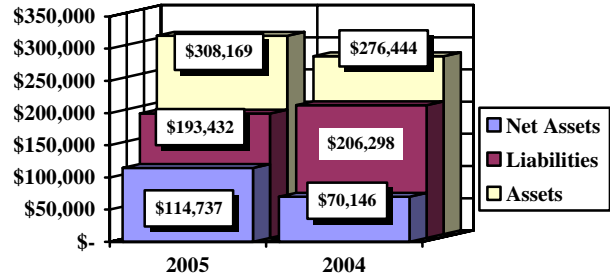
**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Governmental - Net Assets



Business-Type - Net Assets



The table below shows the changes in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 754,921	\$ 847,089	\$ 950,930	\$ 1,028,710	\$ 1,705,851	\$ 1,875,799
Operating grants and contributions	1,958,577	1,759,623	407,724	431,911	2,366,301	2,191,534
General revenues:						
Property taxes	30,634,834	26,442,915	-	-	30,634,834	26,442,915
Grants and entitlements	10,716,092	10,059,260	-	-	10,716,092	10,059,260
Investment earnings	124,488	79,925	1,380	824	125,868	80,749
Miscellaneous	334,197	124,282	61,076	-	395,273	124,282
Total revenues	<u>44,523,109</u>	<u>39,313,094</u>	<u>1,421,110</u>	<u>1,461,445</u>	<u>45,944,219</u>	<u>40,774,539</u>

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	20,675,635	21,210,560	-	-	20,675,635	21,210,560
Special	2,872,334	2,680,226	-	-	2,872,334	2,680,226
Other	500,440	291,053	-	-	500,440	291,053
Support services:						
Pupil	1,734,129	1,955,799	-	-	1,734,129	1,955,799
Instructional staff	2,382,507	2,531,754	-	-	2,382,507	2,531,754
Board of education	130,765	111,446	-	-	130,765	111,446
Administration	2,477,586	2,485,350	-	-	2,477,586	2,485,350
Fiscal	971,261	885,734	-	-	971,261	885,734
Business	175,750	158,004	-	-	175,750	158,004
Operations and maintenance	4,265,583	4,240,356	-	-	4,265,583	4,240,356
Pupil transportation	2,773,355	2,799,773	-	-	2,773,355	2,799,773
Central	43,825	51,279	-	-	43,825	51,279
Operation of						
non-instructional services	661,632	279,097	-	-	661,632	279,097
Extracurricular activities	829,941	1,113,792	-	-	829,941	1,113,792
Intergovernmental	-	472,491	-	-	-	472,491
Interest and fiscal charges	141,488	175,735	-	-	141,488	175,735
Food service	59,884	-	1,211,631	1,181,252	1,271,515	1,181,252
Adult education	-	-	7,126	5,061	7,126	5,061
Special enterprise	-	-	157,762	208,148	157,762	208,148
Total expenses	<u>40,696,115</u>	<u>41,442,449</u>	<u>1,376,519</u>	<u>1,394,461</u>	<u>42,072,634</u>	<u>42,836,910</u>
Changes in net assets	3,826,994	(2,129,355)	44,591	66,984	3,871,585	(2,062,371)
Net assets at beginning of year	<u>13,767,586</u>	<u>15,896,941</u>	<u>70,146</u>	<u>3,162</u>	<u>13,837,732</u>	<u>15,900,103</u>
Net assets at end of year	<u>\$ 17,594,580</u>	<u>\$ 13,767,586</u>	<u>\$ 114,737</u>	<u>\$ 70,146</u>	<u>\$ 17,709,317</u>	<u>\$ 13,837,732</u>

Governmental Activities

Net assets of the District's governmental activities increased \$3,826,994. Total governmental expenses of \$40,696,115 were primarily offset by program revenues of \$2,713,498 and general revenues of \$41,809,611. Program revenues supported 6.67% of the total governmental expenses.

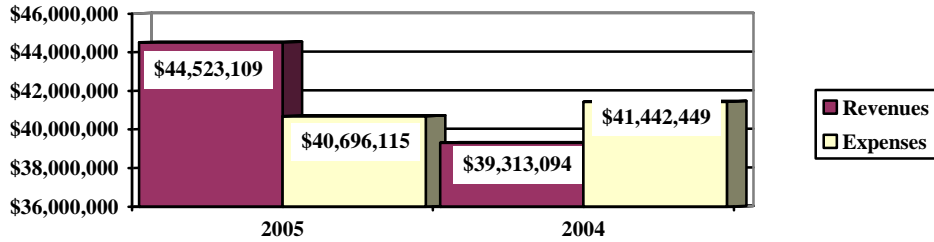
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 92.88% of total governmental revenue. Property taxes support 75.28% of total expenses while grants and entitlements supported 26.33% of total expenses. Between these two revenue items, 101.61% of total governmental expenditures were funded.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses:				
Instruction:				
Regular	\$ 20,675,635	\$ 20,301,456	\$ 21,210,560	\$ 20,867,483
Special	2,872,334	2,392,109	2,680,226	2,272,849
Other	500,440	500,439	291,053	240,121

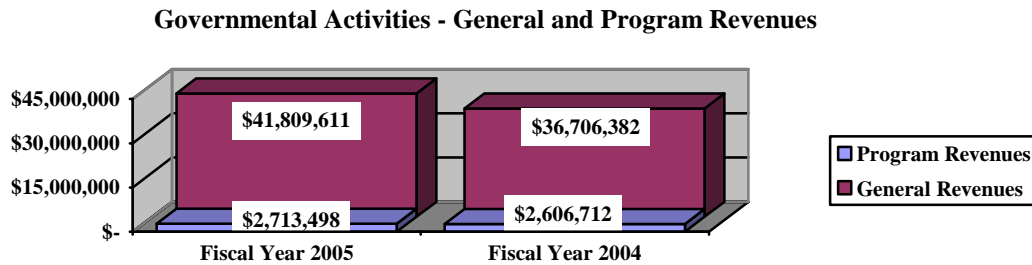
**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Support services:				
Pupil	\$ 1,734,129	\$ 1,235,529	\$ 1,955,799	\$ 1,634,854
Instructional staff	2,382,507	2,210,606	2,531,754	2,366,931
Board of education	130,765	130,765	111,446	111,446
Administration	2,477,586	2,328,805	2,485,350	2,243,395
Fiscal	971,261	971,261	885,734	885,734
Business	175,750	175,750	158,004	158,004
Operations and maintenance	4,265,583	4,265,583	4,240,356	4,240,356
Pupil transportation	2,773,355	2,628,857	2,799,773	2,691,869
Central	43,825	1,862	51,279	6,878
Operation of non-instructional services	661,632	172,355	279,097	61,666
Extracurricular activities	829,941	465,868	1,113,792	845,360
Food service operations	59,884	59,884	472,491	33,056
Interest and fiscal charges	141,488	141,488	175,735	175,735
Total expenses	<u>\$ 40,696,115</u>	<u>\$ 37,982,617</u>	<u>\$ 41,442,449</u>	<u>\$ 38,835,737</u>

The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 96.45% of 2005 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 93.33% in 2005. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



Business-Type Activities

Business-type activities include food service, adult education and special enterprise operations. These programs had revenues of \$1,421,110 and expenses of \$1,376,519 for fiscal year 2005. The food service operations had expenses of \$1,211,631 and revenues of \$1,261,274. This resulted in an increase to net assets for the fiscal year of \$49,643. The adult education and special enterprise programs had expenses of \$164,888 and revenues of \$159,836. This resulted in a decrease to net assets for the fiscal year of \$5,052. Each of these funds is self-supporting through user fees and charges. Management assesses their performance to ensure that they are run efficiently.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The District's Funds

The District's governmental funds reported a combined fund balance of \$2,084,213, which is above last year's deficit total of \$138,532. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

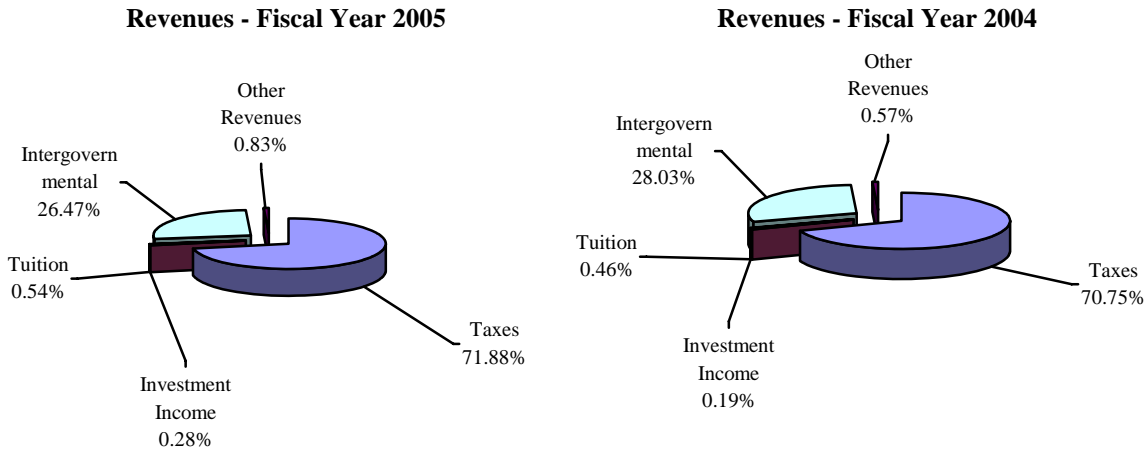
	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>
General	\$ 1,248,634	\$ (1,035,824)	\$ 2,284,458
Other Governmental	<u>835,579</u>	<u>897,292</u>	<u>(61,713)</u>
Total	<u>\$ 2,084,213</u>	<u>\$ (138,532)</u>	<u>\$ 2,222,745</u>

General Fund

The District's general fund balance increased by \$2,284,458, due to high revenues and decreased expenditures during 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 28,758,674	\$ 25,218,157	14.04 %
Tuition	215,329	165,252	30.30 %
Interest earnings	113,165	69,342	63.20 %
Intergovernmental	10,592,856	9,990,920	6.02 %
Other revenues	<u>331,365</u>	<u>202,803</u>	63.39 %
Total	<u>\$ 40,011,389</u>	<u>\$ 35,646,474</u>	12.25 %

Tax revenue increased \$3,540,517 or 14.04% from the prior year. Intergovernmental revenue increased \$601,936 or 6.02% from the prior year. This increase is attributed to an increase in the number of grants the District received in 2005. The increase in investment income is due to the District having more money to invest throughout the year. All other revenue remained comparable to 2004.



**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

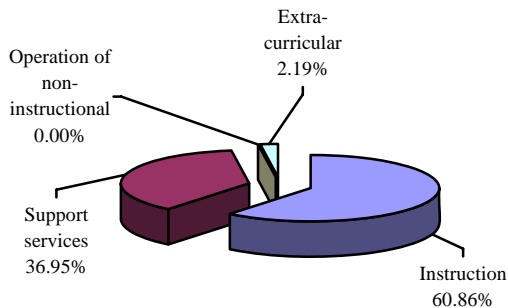
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table that follows assists in illustrating the expenditures of the general fund.

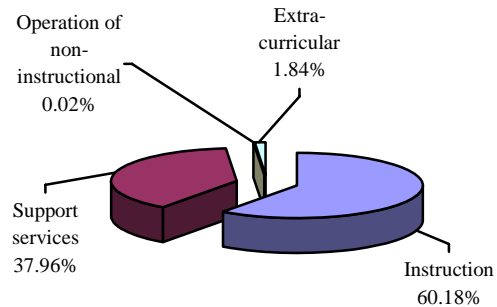
	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 22,764,090	\$ 22,363,185	1.79 %
Support services	13,822,437	14,105,445	(2.01) %
Operation of non-instructional services	350	6,187	(94.34) %
Extracurricular activities	<u>818,092</u>	<u>683,316</u>	19.72 %
Total	<u>\$ 37,404,969</u>	<u>\$ 37,158,133</u>	0.66 %

Instruction expenditures increased by \$400,905 or 1.79%.

Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District amended its general fund budget several times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$40,466,066, above original budget estimates of \$38,723,237. Actual revenues and other financing sources for fiscal year 2005 totaled \$40,485,306, which was \$19,240 higher than the final budgeted revenues.

General fund original appropriations (expenditures plus other financing uses) of \$38,358,255 were increased to \$38,576,205 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$38,530,479, which was \$45,726 less than the final budget appropriations, primarily because salary and benefit costs proved to be lower than anticipated in the original and final budget.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

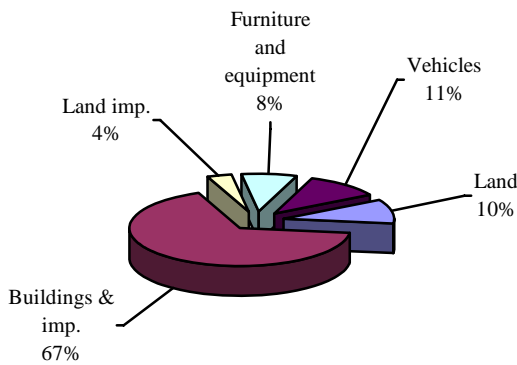
At the end of fiscal 2005, the District had \$18,496,034 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles, net of accumulated depreciation. Of this total, \$18,436,068 was reported in governmental activities and \$59,966 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

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

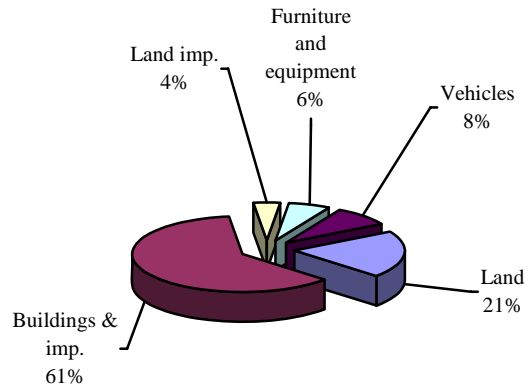
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 3,745,329	\$ 3,745,329	\$ -	\$ -	\$ 3,745,329	\$ 3,745,329
Land improvements	658,774	692,869	-	-	658,774	692,869
Building and improvement	10,955,188	10,782,285	-	-	10,955,188	10,782,285
Furniture/equipment	1,470,809	1,048,936	59,966	48,041	1,530,775	1,096,977
Vehicles	1,605,968	1,352,695	-	-	1,605,968	1,352,695
Total	\$ 18,436,068	\$ 17,622,114	\$ 59,966	\$ 48,041	\$ 18,496,034	\$ 17,670,155

The following graphs show the breakdown of governmental activities capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities
2005**



**Capital Assets - Governmental Activities
2004**



See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005 the District had \$902,701 in energy conservation notes. Of this total, \$115,651 is due within one year and \$787,050 is due within greater than one year. The following table summarizes the notes outstanding.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	Outstanding Debt, at Year End	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Energy conservation note	\$ 902,701	\$ 1,014,322
Total	<u>\$ 902,701</u>	<u>\$ 1,014,322</u>

The energy conservation notes are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The energy conservation notes are scheduled to mature in fiscal year 2011 and bear an interest rate of 5.89%.

At June 30, 2005, the District's overall legal debt margin was \$79,317,357 with an unvoted debt margin of \$879,627.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens.

The District has been very aggressive in cost cutting measures, while maintaining the quality programs that are a trademark of Boardman Schools. Retire, rehire has been a very successful cost savings program. The District is afforded a lower cost per teacher, while retaining quality and expertise for up to a three year period. The Board is exploring areas of health care, natural gas, electricity, workers' compensation and all insurances of the District to further lower expenses. These cost savings have minimized expenses.

Several significant legislative and judicial actions have occurred that will have a major impact on our District. Open enrollment and community schools have reduced the amount of funding for the District by \$254,506 for fiscal year 2003, \$241,563 for fiscal year 2004 and \$480,219 for fiscal year 2005. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". The state has not yet developed a school-funding plan that has been deemed acceptable by the Court, and an ultimate resolution still seems to be some time in the future. There is concern that the state may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the state budget.

The state's 2005 school foundation level had a slight increase from fiscal year 2004. The state's 2004 budget contains legislation that reduces personal property tax revenue distributed to the District at a more accelerated rate than anticipated. In prior legislation, the inventory tax was to be reduced by one percent over twenty-five years. Now, it will be phased out at two percent each year over the next fourteen years. In fiscal year 2003, the District collected \$3,764,061 on personal property. For fiscal year 2004, \$3,651,257 was collected. For fiscal year 2005, \$4,352,877 was collected. This was the third year for the one percent decline in valuation. The personal property tax represents ten percent of the District's revenue. The Board of Education is very concerned with the legislator's decisions that have no replacement funds to balance the loss. Inventory tax reduction and the state personal property exemption phase out will have a major impact of lost revenue for the District. There is discussion of a reduction in personal property over a five year period. This is being looked at in the next state budget which would be in effect for fiscal year 2006. If the District is not held harmless after five years it will have a tremendous impact on the School District's revenue and the ability to maintain financial stability.

The District has committed itself to educational and financial excellence for many years. The diverse curriculum programs offered to the students and unqualified audits are evidence of the Board's commitment to maximize the resources that are provided to educate the students of the District. The District is committed to living within its financial means, and working with the community it serves in order to provide adequate resources to support the education program.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Richard Santilli, Treasurer, Boardman Local School District, 7410 Market Street, Youngstown, Ohio 44512.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 7,747,894	\$ 166,689	\$ 7,914,583
Receivables:			
Taxes	33,087,091	-	33,087,091
Accounts	41,378	45	41,423
Intergovernmental	258,540	61,076	319,616
Accrued interest	660	-	660
Materials and supplies inventory	73,728	20,393	94,121
Capital assets:			
Land	3,745,329	-	3,745,329
Depreciable capital assets, net	14,690,739	59,966	14,750,705
Capital assets, net.	<u>18,436,068</u>	<u>59,966</u>	<u>18,496,034</u>
Total assets.	<u>59,645,359</u>	<u>308,169</u>	<u>59,953,528</u>
Liabilities:			
Accounts payable.	288,371	359	288,730
Accrued wages and benefits	4,276,487	80,032	4,356,519
Pension obligation payable.	866,695	65,706	932,401
Intergovernmental payable	247,970	5,699	253,669
Deferred revenue	29,540,559	-	29,540,559
Accrued interest payable	92,310	-	92,310
Long-term liabilities:			
Due within one year.	770,513	5,373	775,886
Due within more than one year	5,967,874	36,263	6,004,137
Total liabilities	<u>42,050,779</u>	<u>193,432</u>	<u>42,244,211</u>
Net Assets:			
Invested in capital assets, net of related debt.	15,244,058	59,966	15,304,024
Restricted for:			
Capital projects	290,414	-	290,414
Debt service.	150,925	-	150,925
State funded programs.	78,657	-	78,657
Federally funded programs.	107,469	-	107,469
Student activities.	117,348	-	117,348
Other purposes	441,408	-	441,408
Unrestricted	<u>1,164,301</u>	<u>54,771</u>	<u>1,219,072</u>
Total net assets	<u>\$ 17,594,580</u>	<u>\$ 114,737</u>	<u>\$ 17,709,317</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 20,675,635	\$ 258,137	\$ 116,042
Special	2,872,334	-	480,225
Other	500,440	-	1
Support services:			
Pupil	1,734,129	-	498,600
Instructional staff	2,382,507	-	171,901
Board of education	130,765	-	-
Administration	2,477,586	-	148,781
Fiscal	971,261	-	-
Business	175,750	-	-
Operations and maintenance	4,265,583	-	-
Pupil transportation	2,773,355	132,711	11,787
Central	43,825	-	41,963
Operation of non-instructional services	661,632	-	489,277
Extracurricular activities	829,941	364,073	-
Food service operations	59,884	-	-
Interest and fiscal charges	141,488	-	-
Total governmental activities	40,696,115	754,921	1,958,577
Business-type activities:			
Food service	1,211,631	791,094	407,724
Adult education	7,126	6,009	-
Special enterprise	157,762	153,827	-
Total business-type activities	1,376,519	950,930	407,724
Totals	\$ 42,072,634	\$ 1,705,851	\$ 2,366,301

General Revenues:

Property taxes levied for:	
General purposes	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	
Change in net assets	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (20,301,456)	\$ -	\$ (20,301,456)
(2,392,109)	-	(2,392,109)
(500,439)	-	(500,439)
(1,235,529)	-	(1,235,529)
(2,210,606)	-	(2,210,606)
(130,765)	-	(130,765)
(2,328,805)	-	(2,328,805)
(971,261)	-	(971,261)
(175,750)	-	(175,750)
(4,265,583)	-	(4,265,583)
(2,628,857)	-	(2,628,857)
(1,862)	-	(1,862)
(172,355)	-	(172,355)
(465,868)	-	(465,868)
(59,884)	-	(59,884)
(141,488)	-	(141,488)
<u>(37,982,617)</u>	<u>-</u>	<u>(37,982,617)</u>
-	(12,813)	(12,813)
-	(1,117)	(1,117)
<u>-</u>	<u>(3,935)</u>	<u>(3,935)</u>
-	(17,865)	(17,865)
<u>(37,982,617)</u>	<u>(17,865)</u>	<u>(38,000,482)</u>
29,749,784	-	29,749,784
885,050	-	885,050
10,716,092	-	10,716,092
124,488	1,380	125,868
334,197	61,076	395,273
<u>41,809,611</u>	<u>62,456</u>	<u>41,872,067</u>
3,826,994	44,591	3,871,585
<u>13,767,586</u>	<u>70,146</u>	<u>13,837,732</u>
<u>\$ 17,594,580</u>	<u>\$ 114,737</u>	<u>\$ 17,709,317</u>

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,162,119	\$ 1,351,877	\$ 7,513,996
Receivables:			
Taxes.	32,124,836	962,255	33,087,091
Accounts	41,349	29	41,378
Accrued interest	660	-	660
Intergovernmental	-	258,540	258,540
Interfund loans receivable	224,349	-	224,349
Advances to other funds	30,994	-	30,994
Due from other funds.	7,405	-	7,405
Materials and supplies inventory	73,728	-	73,728
Restricted assets:			
Equity in pooled cash and cash equivalents	233,898	-	233,898
Total assets	\$ 38,899,338	\$ 2,572,701	\$ 41,472,039
Liabilities:			
Accounts payable	\$ 107,843	\$ 180,528	\$ 288,371
Accrued wages and benefits	4,130,870	145,617	4,276,487
Compensated absences payable	207,935	-	207,935
Pension obligation payable.	845,583	21,112	866,695
Intergovernmental payable.	233,637	14,333	247,970
Interfund loans payable	-	224,349	224,349
Due to other funds	-	7,405	7,405
Advances from other funds	-	30,994	30,994
Deferred revenue.	32,124,836	1,112,784	33,237,620
Total liabilities	37,650,704	1,737,122	39,387,826
Fund Balances:			
Reserved for encumbrances	191,979	418,487	610,466
Reserved for materials and supplies inventory.	73,728	-	73,728
Reserved for advances	30,994	-	30,994
Reserved for debt service.	-	150,925	150,925
Reserved for budget stabilization.	233,898	-	233,898
Unreserved, undesignated (deficit), reported in:			
General fund	718,035	-	718,035
Special revenue funds.	-	369,344	369,344
Capital projects funds.	-	(103,177)	(103,177)
Total fund balances	1,248,634	835,579	2,084,213
Total liabilities and fund balances	\$ 38,899,338	\$ 2,572,701	\$ 41,472,039

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$ 2,084,213
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,436,068
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 3,546,532	
Intergovernmental revenue	<u>150,529</u>	
Total		3,697,061
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(92,310)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy conservation notes	902,701	
Capital lease obligation	2,289,309	
Compensated absences	<u>3,338,442</u>	
Total		<u>(6,530,452)</u>
Net assets of governmental activities		<u><u>\$ 17,594,580</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 28,758,674	\$ 855,934	\$ 29,614,608
Tuition	215,329	-	215,329
Transportation fees	39,369	-	39,369
Earnings on investments	113,165	11,323	124,488
Extracurricular	-	338,712	338,712
Classroom materials and fees	93,342	41,282	134,624
Other local revenues	198,654	140,067	338,721
Intergovernmental - Intermediate	20,049	6,226	26,275
Intergovernmental - State	10,572,807	691,025	11,263,832
Intergovernmental - Federal	-	1,518,600	1,518,600
Total revenue	<u>40,011,389</u>	<u>3,603,169</u>	<u>43,614,558</u>
Expenditures:			
Current:			
Instruction:			
Regular	19,828,713	308,811	20,137,524
Special	2,434,937	528,884	2,963,821
Other	500,440	-	500,440
Support Services:			
Pupil	1,481,469	500,280	1,981,749
Instructional staff	2,071,077	228,536	2,299,613
Board of education	130,765	-	130,765
Administration	2,257,952	222,905	2,480,857
Fiscal	949,967	15,468	965,435
Business	173,959	-	173,959
Operations and maintenance	4,224,291	-	4,224,291
Pupil transportation	2,521,364	11,701	2,533,065
Central	11,593	32,232	43,825
Operation of non-instructional services	350	650,249	650,599
Extracurricular activities	606,392	302,162	908,554
Facilities acquisition and construction	-	989,320	989,320
Capital outlay	211,700	-	211,700
Debt service:			
Principal retirement	-	295,919	295,919
Interest and fiscal charges	-	119,525	119,525
Total expenditures	<u>37,404,969</u>	<u>4,205,992</u>	<u>41,610,961</u>
Excess of revenues (over) under expenditures	<u>2,606,420</u>	<u>(602,823)</u>	<u>2,003,597</u>
Other financing sources (uses):			
Transfers in	-	642,827	642,827
Transfers (out)	(541,110)	(101,717)	(642,827)
Capital lease transaction	211,700	-	211,700
Sale of capital assets	2,314	-	2,314
Total other financing sources (uses)	<u>(327,096)</u>	<u>541,110</u>	<u>214,014</u>
Net change in fund balances	2,279,324	(61,713)	2,217,611
Fund balances (deficit)			
at beginning of year (restated)	(1,035,824)	897,292	(138,532)
Increase in reserve for inventory	5,134	-	5,134
Fund balances at end of year	<u>\$ 1,248,634</u>	<u>\$ 835,579</u>	<u>\$ 2,084,213</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	2,217,611
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,040,687) exceed depreciation expense (\$1,210,649) in the current period.		830,038
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(16,084)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		5,134
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		896,237
Proceeds of capital lease transaction are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(211,700)
Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		295,919
In the statement of activities, interest is accrued on outstanding notes and capital leases, whereas in governmental funds an interest expenditure is reported when due.		(21,963)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(168,198)
Change in net assets of governmental activities	\$	<u>3,826,994</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 27,496,244	\$ 28,745,005	\$ 28,758,673	\$ 13,668
Tuition.	177,145	185,191	185,279	88
Transportation fees.	30,716	32,112	32,127	15
Earnings on investments.	107,863	112,761	112,815	54
Classroom materials and fees	89,175	93,225	93,269	44
Other local revenues.	194,135	202,952	203,048	96
Intergovernmental - Intermediate	30,218	31,591	31,606	15
Intergovernmental - State	10,110,150	10,569,310	10,574,335	5,025
Total revenue	<u>38,235,646</u>	<u>39,972,147</u>	<u>39,991,152</u>	<u>19,005</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,446,029	19,548,666	19,754,799	(206,133)
Special.	2,460,544	2,473,531	2,416,586	56,945
Other.	314,341	316,000	500,440	(184,440)
Support services:				
Pupil.	1,569,447	1,577,731	1,479,947	97,784
Instructional staff	2,276,969	2,288,987	2,379,957	(90,970)
Board of education	110,995	111,581	131,345	(19,764)
Administration.	2,212,427	2,224,105	2,231,417	(7,312)
Fiscal	890,365	895,064	952,319	(57,255)
Business	171,858	172,765	172,279	486
Operations and maintenance.	4,497,066	4,520,802	4,247,119	273,683
Pupil transportation	2,931,048	2,946,519	2,816,064	130,455
Central.	10,942	11,000	11,593	(593)
Operation of non-instructional services	574	577	350	227
Extracurricular activities.	659,934	663,418	610,805	52,613
Total expenditures	<u>37,552,539</u>	<u>37,750,746</u>	<u>37,705,020</u>	<u>45,726</u>
Excess of revenues over (under) expenditures.	<u>683,107</u>	<u>2,221,401</u>	<u>2,286,132</u>	<u>64,731</u>
Other financing sources (uses):				
Advances in	428,388	433,948	434,154	206
Advances (out)	-	-	(224,349)	(224,349)
Transfers in.	59,203	59,971	60,000	29
Transfers (out)	(805,716)	(825,459)	(601,110)	224,349
Total other financing sources (uses)	<u>(318,125)</u>	<u>(331,540)</u>	<u>(331,305)</u>	<u>235</u>
Net change in fund balance	364,982	1,889,861	1,954,827	64,966
Fund balance at beginning of year.	3,451,446	3,451,446	3,451,446	-
Prior year encumbrances appropriated	704,712	704,712	704,712	-
Fund balance at end of year	<u>\$ 4,521,140</u>	<u>\$ 6,046,019</u>	<u>\$ 6,110,985</u>	<u>\$ 64,966</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Nonmajor Enterprise Funds</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 166,689
Receivables:	
Accounts.	45
Intergovernmental	61,076
Materials and supplies inventory	<u>20,393</u>
Total current assets	<u>248,203</u>
Noncurrent assets:	
Capital assets, net.	<u>59,966</u>
Total assets	<u>308,169</u>
Liabilities:	
Current liabilities:	
Accounts payable.	359
Accrued wages and benefits	80,032
Compensated absences.	5,373
Pension obligation payable.	65,706
Intergovernmental payable	<u>5,699</u>
Total current liabilities.	<u>157,169</u>
Long-term liabilities:	
Compensated absences.	<u>36,263</u>
Total liabilities	<u>193,432</u>
Net assets:	
Invested in capital assets	59,966
Unrestricted.	<u>54,771</u>
Total net assets	<u><u>\$ 114,737</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Nonmajor Enterprise Funds
Operating revenues:	
Tuition and fees	\$ 159,136
Sales/charges for services	791,794
Other operating revenue.	61,076
Total operating revenues	<u>1,012,006</u>
Operating expenses:	
Personal services	740,893
Purchased services.	6,519
Materials and supplies.	613,091
Depreciation	12,270
Other.	3,746
Total operating expenses	<u>1,376,519</u>
Operating loss.	<u>(364,513)</u>
Nonoperating revenues:	
Grants and subsidies	323,453
Federal donated commodities	84,271
Interest revenue	1,380
Total nonoperating revenues	<u>409,104</u>
Change in net assets.	44,591
Net assets at beginning of year.	<u>70,146</u>
Net assets at end of year	<u><u>\$ 114,737</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 791,797
Cash received from tuition and fees.	159,136
Cash payments for personal services	(754,075)
Cash payments for purchased services	(6,519)
Cash payments for materials and supplies	(529,223)
Cash payments for other operations	(3,746)
Net cash used in operating activities	<u>(342,630)</u>
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	<u>372,326</u>
Net cash provided by noncapital financing activities	<u>372,326</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(24,195)</u>
Net cash used in capital and related financing activities.	<u>(24,195)</u>
Cash flows from investing activities:	
Interest received.	<u>1,380</u>
Net cash provided by investing activities	<u>1,380</u>
Net increase in cash and cash equivalents	6,881
Cash and cash equivalents at beginning of year . . .	<u>159,808</u>
Cash and cash equivalents at end of year	<u><u>\$ 166,689</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (364,513)
Adjustments:	
Depreciation	12,270
Federal donated commodities.	84,271
Changes in assets and liabilities:	
Decrease in accounts receivable	3
Increase in intergovernmental receivable.	(61,076)
Increase in materials and supplies inventory	(719)
Increase in accounts payable	316
Decrease in accrued wages and benefits	(7,053)
Increase in compensated absences payable.	4,608
Decrease in pension obligation payable	(10,685)
Decrease in intergovernmental payable	(52)
Net cash used in operating activities	<u><u>\$ (342,630)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 568,116	\$ 138,669
Total assets	568,116	\$ 138,669
Liabilities:		
Accounts payable.	-	\$ 300
Due to students	-	138,369
Total liabilities	-	\$ 138,669
Net Assets:		
Held in trust for scholarships	568,116	
Total net assets	\$ 568,116	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 8,855
Gifts and contributions.	13,918
	22,773
Total additions.	22,773
Deductions:	
Scholarships awarded	13,349
	9,424
Change in net assets	9,424
Net assets at beginning of year	558,692
Net assets at end of year	\$ 568,116

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Boardman Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District. The District serves an area of approximately 25 square miles in Mahoning County.

The District is the 73rd largest in the State of Ohio (among the 614 public school districts in the state) in terms of enrollment. The District is staffed by 275 non-certificated and 318 certificated personnel to provide services to approximately 4,888 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. When applying GASB Statement No. 14, management has considered all potential component units.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the Boardman School Building Corporation (blended component unit) has been included in the District's financial reporting entity. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

BLENDDED COMPONENT UNIT

Boardman School Building Corporation

The Boardman School Building Corporation is considered a component unit of the District by virtue of meeting the criteria noted above. The corporation is a nonprofit organization with the specific purpose of purchasing, leasing or otherwise acquiring real estate and to construct thereon any and all public improvements, within the boundaries of the District.

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments

ACCESS is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and industrial functions among member districts. Each of the governments of these school districts supports ACCESS based upon a per pupil charge, which was \$40 for fiscal year 2005. The District paid \$143,265 to ACCESS during fiscal year 2005. ACCESS is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting, and designating management. All ACCESS revenues are generated from charges for services and State funding.

Financial information can be obtained from the treasurer of the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 105, Youngstown, Ohio, 44512-7019.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating School Districts (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus 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 is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary funds:

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has three enterprise funds to account for food service operations, adult education and special enterprises. These enterprise funds are considered nonmajor enterprise funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

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

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal 2005, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market price. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2005 amounted to \$113,165 which includes \$27,673 assigned from other District funds.

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

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

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$4,000. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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:

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land improvements	15 - 50 years	N/A
Buildings and improvements	10 - 50 years	N/A
Furniture/equipment	5 - 20 years	5 - 20 years
Vehicles	6 - 10 years	N/A

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee’s retirement/resignation has been incurred by fiscal year-end. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, 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 future retirement obligations 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. Bonds and long-term loans are recognized as a liability in the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, advances, debt service, and budget stabilization.

M. 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Estimates

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

O. 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 governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization. See Note 16 for details.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales and charges for food service and special enterprises and tuition and fees for adult education. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major governmental funds of the District as they were previously reported as of June 30, 2004:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)

	<u>General</u>	<u>Other Govenmental</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (736,871)	\$ 900,860	\$ 163,989
GASB Technical Bulletin No. 2004-2	<u>(298,953)</u>	<u>(3,568)</u>	<u>(302,521)</u>
Restated Fund Balances, June 30, 2004	<u>\$ (1,035,824)</u>	<u>\$ 897,292</u>	<u>\$ (138,532)</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Uniform school supplies	\$ 27,279
Martha Jennings grant	248
School net	12
Title VI-B	54,543
Title I	27,574
Drug free schools	2,054
Miscellaneous federal grants	29

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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.

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim monies to 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 State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year-end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$2,212,479, exclusive of the \$2,301,411 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,286,666 of the District's bank balance of \$2,499,468 was exposed to custodial risk as discussed below, while \$212,802 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	Balance at <u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase Agreement	\$ 2,301,411	\$ 2,301,411
STAR Ohio	<u>4,107,378</u>	<u>4,107,378</u>
	<u>\$ 6,408,789</u>	<u>\$ 6,408,789</u>

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

Credit Risk: The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 2,301,411	35.91%
STAR Ohio	<u>4,107,378</u>	<u>64.09%</u>
	<u>\$ 6,408,789</u>	<u>100.00%</u>

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 2,212,479
Investments	6,408,789
Cash on hand	<u>100</u>
Total	<u>\$ 8,621,368</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,747,894
Business type activities	166,689
Private-purpose trust funds	568,116
Agency funds	<u>138,669</u>
Total	<u>\$ 8,621,368</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 541,110
Nonmajor governmental funds	101,717

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

B. Advances to/from other funds consisted of the following at June 30, 2005, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 30,994

The balance in the general fund represents advances due from other funds that are not expected to be repaid within the next fiscal year. The loans will be repaid once the anticipated revenues are received.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 224,349

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. 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 District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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.

There were no property tax advances available to the District at June 30, 2005 or June 30, 2004.

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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 744,000,010	86.38	\$ 755,888,760	85.93
Public Utility Personal	36,739,050	4.27	40,238,810	4.58
Tangible Personal Property	<u>80,585,458</u>	<u>9.35</u>	<u>83,499,457</u>	<u>9.49</u>
Total	<u>\$ 861,324,518</u>	<u>100.00</u>	<u>\$ 879,627,027</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 56.00		\$ 56.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 33,087,091
Accounts	41,378
Intergovernmental	258,540
Accrued interest	660

Business-type Activities:

Accounts	45
Intergovernmental	<u>61,076</u>

Total receivables	<u>\$ 33,448,790</u>
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Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2005, was as follows:

	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,745,329	\$ -	\$ -	\$ 3,745,329
<i>Capital assets, being depreciated:</i>				
Land improvements	1,274,368	30,400	-	1,304,768
Building/improvements	23,858,781	905,434	-	24,764,215
Furniture/equipment	2,448,424	640,658	(38,712)	3,050,370
Vehicles	3,606,728	464,195	-	4,070,923
Total capital assets, being depreciated	<u>31,188,301</u>	<u>2,040,687</u>	<u>(38,712)</u>	<u>33,190,276</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(581,499)	(64,495)	-	(645,994)
Building/improvements	(13,076,496)	(732,531)	-	(13,809,027)
Furniture/equipment	(1,399,488)	(202,701)	22,628	(1,579,561)
Vehicles	(2,254,033)	(210,922)	-	(2,464,955)
Total accumulated depreciation	<u>(17,311,516)</u>	<u>(1,210,649)</u>	<u>22,628</u>	<u>(18,499,537)</u>
Governmental activities capital assets, net	<u>\$ 17,622,114</u>	<u>\$ 830,038</u>	<u>\$ (16,084)</u>	<u>\$ 18,436,068</u>
Business-Type Activities:				
<i>Capital assets, being depreciated:</i>				
Furniture/equipment	\$ 229,888	\$ 24,195	\$ -	\$ 254,083
<i>Less: accumulated depreciation</i>	<u>(181,847)</u>	<u>(12,270)</u>	<u>-</u>	<u>(194,117)</u>
Business-type activities capital assets, net	<u>\$ 48,041</u>	<u>\$ 11,925</u>	<u>\$ -</u>	<u>\$ 59,966</u>

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 576,275
Special	61,422
Support Services:	
Pupil	25,136
Instructional staff	38,423
Administration	25,657
Fiscal	876
Business	876
Operations and maintenance	28,121
Pupil transportation	231,584
Operation of non-instructional services	59,884
Extracurricular	<u>162,395</u>
Total depreciation expense	<u>\$ 1,210,649</u>

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During fiscal year 2005, the District entered into a capital lease for copiers and during fiscal year 2004, the District entered into capital lease agreements for the acquisition of a new auditorium. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of building improvements and copiers have been capitalized in the amount of \$3,178,325. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments on the auditorium in the 2005 fiscal year totaled \$184,298 and \$82,908, respectively. There were no payments made on the copiers. These amounts are reported as debt service payments of the Permanent Improvement capital projects fund.

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

Year Ending June 30	Amount
2006	\$ 325,397
2007	325,397
2008	325,397
2009	325,397
2010	267,206
2011 - 2015	1,131,470
Total minimum lease payment	2,700,264
Less: amount representing interest	(410,955)
Present value of minimum lease payments	\$ 2,289,309

NOTE 10 - LONG-TERM OBLIGATIONS

A. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2005:

	Interest Rate	Issue Date	Maturity Date	Outstanding July 1, 2004	Retired in 2005	Outstanding June 30, 2005
Energy conservation note	5.89%	7/17/2000	7/17/2011	\$ 1,014,322	\$ (111,621)	\$ 902,701
Total				\$ 1,014,322	\$ (111,621)	\$ 902,701

B. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation debt:

Fiscal Year Ending	Principal	Interest	Total
2006	115,651	32,587	148,238
2007	119,826	28,412	148,238
2008	124,152	24,087	148,239
2009	128,634	19,605	148,239
2010	133,277	14,961	148,238
2011 - 2012	281,161	15,315	296,476
Total	\$ 902,701	\$ 134,967	\$ 1,037,668

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. The changes in the District's long-term obligations during the year consist of the following:

	Balance			Balance	Amount
	<u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2005</u>	<u>Due in</u> <u>One Year</u>
Governmental Activities:					
Capital lease obligation	\$ 2,261,907	\$ 211,700	\$ (184,298)	\$ 2,289,309	\$ 242,163
Energy conservation notes	1,014,322	-	(111,621)	902,701	\$ 115,651
Compensated absences payable	<u>3,530,586</u>	<u>156,777</u>	<u>(140,986)</u>	<u>3,546,377</u>	<u>412,699</u>
Total governmental activities long-term liabilities	<u>\$ 6,806,815</u>	<u>\$ 368,477</u>	<u>\$ (436,905)</u>	<u>\$ 6,738,387</u>	<u>\$ 770,513</u>
Business-Type Activities:					
Compensated absences	<u>\$ 37,028</u>	<u>\$ 4,608</u>	<u>\$ -</u>	<u>\$ 41,636</u>	<u>\$ 5,373</u>

Compensated absences will be paid from the fund from which the employee is paid.

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$79,317,357 (including available funds of \$150,925) and an unvoted debt margin of \$879,627.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The 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. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The comprehensive commercial property coverage limit is \$105,115,687. The deductible is \$5,000 and the coinsurance is 90 percent. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists with a \$250 deductible. The District's audio-visual and computer equipment policy has a liability limit of \$4,035,893, and its musical instrument policy has a liability limit of \$1,956,953 with \$500 deductibles. The District's machinery and equipment policy has a \$5,000,000 annual aggregate with a \$1,000 deductible. The District's commercial crime coverage liability limit is \$100,000. The District has general liability coverage limits of \$1,000,000 each occurrence and \$3,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Group Health Insurance

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide medical, prescription, dental, vision, and life benefits to its member organizations. Professional Risk Management acts in the capacity of third party administrators for claims processing.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims or payments are made for all participating districts and claims are paid for all participants regardless of claims flow. The Mahoning County School Employees Insurance Consortium is responsible for paying claims prior to coverage by a stop/loss carrier.

The District pays the insurance premiums for certified and classified employees. The District pays the equivalent of a single person insurance premium for the employees, employees who desire family coverage are required to pay the difference in premium between single coverage and family coverage.

The dental and prescription drug coverage is administered by Professional Risk Management, a third party administrator. National Life Insurance Company provides the life insurance coverage.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**BOARDMAN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$744,623, \$857,594 and \$828,759, respectively; 45.63% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$404,808 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

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

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,642,153, \$2,750,482, and \$2,608,879, respectively; 82.79% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$454,612 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$2,289 made by the District and \$13,389 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$188,725 during fiscal 2005.

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

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$343,806 during the 2005 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 1,954,827
Net adjustment for revenue accruals	20,237
Net adjustment for expenditure accruals	6,696,068
Net adjustment for other sources/uses	4,209
Adjustment for encumbrances	(6,396,017)
GAAP basis	\$ 2,279,324

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

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

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 - STATUTORY RESERVES - (Continued)

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2004	\$ (1,326,456)	\$ -	\$ 233,898
Current year set-aside requirement	720,323	720,323	-
Qualifying disbursements	<u>(940,123)</u>	<u>(1,211,778)</u>	<u>-</u>
Total	<u>\$ (1,546,256)</u>	<u>\$ (491,455)</u>	<u>\$ 233,898</u>
Balance carried forward to FY 2006	<u>\$ (1,546,256)</u>	<u>\$ -</u>	<u>\$ 233,898</u>

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

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

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

Amount restricted for budget stabilization	<u>\$ 233,898</u>
Total restricted assets	<u>\$ 233,898</u>

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**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster:						
Food Donation	48306	10.550		\$84,271		\$84,271
School Breakfast Program	05-PU	10.553	\$13,238		\$13,238	
National School Lunch Program	LL-P5	10.555	345,633		345,633	
Team Nutrition Grants		10.574			998	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>358,871</u>	<u>84,271</u>	<u>359,869</u>	<u>84,271</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education.</i>						
Title I Grants to Local Educational Agencies	C1-S1-04	84.010	194,603		20,387	
Subtotal - Title I Grants to Local Educational Agencies	C1-S1-05	84.010	<u>329,071</u>		<u>323,449</u>	
			523,674		343,836	
Special Education Cluster:						
Special Education_ Grants to States (IDEA Part B)	6B-SF-04	84.027	174,054		78,815	
Subtotal - Special Education Cluster	6B-SF-05	84.027	<u>793,258</u>		<u>746,002</u>	
			967,312		824,817	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-04	84.186	9,874		2,393	
Subtotal - Safe & Drug-Free Schools & Communities State Grants	DR-S1-05	84.186	<u>14,802</u>		<u>14,611</u>	
			24,676		17,004	
State Grants for Innovative Programs	C2-S1-04	84.298	30,880		19,879	
Subtotal - State Grants for Innovative Programs	C2-S1-05	84.298	<u>32,971</u>		<u>29,447</u>	
			63,851		49,326	
Education Technology State Grants (Title II-D)	TJ-S1-05	84.318	19,755		19,122	
Subtotal - Education Technology State Grants			<u>19,755</u>		<u>19,122</u>	
Improving Teacher Quality State Grants (Title II-A)	TR-S1-04	84.367	91,272		23,314	
Subtotal - Improving Teacher Quality State Grants	TR-S1-05	84.367	<u>138,199</u>		<u>136,046</u>	
			229,471		159,360	
Total U.S. Department of Education			<u>1,828,739</u>		<u>1,413,465</u>	
Totals			<u>\$2,187,610</u>	<u>\$84,271</u>	<u>\$1,773,334</u>	<u>\$84,271</u>

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

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Boardman Local School District
Mahoning County
7410 Market Street
Youngstown, Ohio 44512

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Boardman Local School District, Mahoning County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

Boardman Local School District
Mahoning County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

July 31, 2006



Auditor of State Betty Montgomery

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

Boardman Local School District
Mahoning County
7410 Market Street
Youngstown, Ohio 44512

To the Board of Education:

Compliance

We have audited the compliance of Boardman Local School District, Mahoning 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 apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing 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 Boardman Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

July 31, 2006

**BOARDMAN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA # 10.55X; Title I Grants to Local Educational Agencies 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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

BOARDMAN LOCAL SCHOOL DISTRICT

MAHONING 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
OCTOBER 19, 2006**