



**Auditor of State  
Betty Montgomery**



**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Local School District  
Jefferson County  
6898 State Route 150  
Dillonvale, Ohio 43917

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, 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. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio as of June 30, 2005, and the respective changes in financial position 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 Technical Bulletin No. 2004-2 "Recognition of Pension and Other Post Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers."

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 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 do 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 be 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 inquiries of management regarding the methods of measuring and presenting the 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 the 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 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

February 13, 2006

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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

### **Financial Highlights**

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$495,217.
- General revenues accounted for \$15,858,169 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,859,274 or 23 percent of total revenues of \$20,717,443.
- Total assets of governmental activities increased \$620,059 primarily due to an increase in current assets that was offset by annual depreciation expense.
- The School District had \$20,222,226 in expenses related to governmental activities; only \$4,859,274 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$15,858,169 were adequate to provide for these programs.
- The general fund, one of the major funds had \$16,379,840 in revenues and \$15,404,465 in expenditures. The general fund's balance increased \$891,078.
- The debt service fund, the other major fund, had \$980,940 in revenues and \$977,732 in expenditures. The debt service fund balance increased \$82,940.

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

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

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

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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

*Statement of Net Assets and Statement of Activities*

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

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

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and debt service fund.

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

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

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

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current and Other Assets	\$10,420,694	\$9,421,033
Capital Assets	11,387,334	11,766,936
<b>Total Assets</b>	<b>21,808,028</b>	<b>21,187,969</b>
<b>Liabilities</b>		
Long-Term Liabilities	6,916,322	7,913,402
Other Liabilities	8,631,901	7,509,979
<b>Total Liabilities</b>	<b>15,548,223</b>	<b>15,423,381</b>
<b>Net Assets</b>		
Invested in Capital Assets	7,850,546	7,900,798
Restricted	1,321,972	1,198,232
Unrestricted (Deficit)	(2,912,713)	(3,334,442)
<b>Total Net Assets</b>	<b>\$6,259,805</b>	<b>\$5,764,588</b>

Total assets increased \$620,059. Current assets increased by \$999,661 primarily due to an increase in cash and cash equivalents, which was slightly offset by a decrease in intergovernmental receivable. The decrease in intergovernmental receivable was due to timely receipts of federal funding during fiscal year 2005. The decrease in capital assets was due to depreciation expense recorded for fiscal year 2005.

Total liabilities increased \$124,842, due primarily to an increase in accrued wages and benefits which is offset by the payment of principal on outstanding debt.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2005 compared to fiscal year 2004.

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

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$889,514	\$869,351
Operating Grants and Contributions	\$3,930,241	\$3,488,910
Capital Grants and Contributions	39,519	38,014
<b>Total Program Revenues</b>	<b>4,859,274</b>	<b>4,396,275</b>
General Revenues		
Property Taxes	6,566,379	5,321,512
Grants and Entitlements not Restricted to Specific Programs	9,233,545	8,755,868
Others	58,245	47,637
<b>Total General Revenues</b>	<b>15,858,169</b>	<b>14,125,017</b>
<b>Total Revenues</b>	<b>20,717,443</b>	<b>18,521,292</b>
<b>Program Expenses</b>		
Instruction		
Regular	8,810,569	8,046,103
Special	2,308,356	2,318,971
Vocational	800,602	754,509
Support Services		
Pupil	367,883	385,927
Instructional Staff	533,301	549,691
Board of Education, Administration Fiscal, Business and Central	2,204,415	2,360,961
Operation and Maintenance of Plant	2,043,119	1,949,421
Pupil Transportation	1,494,093	1,485,122
Operation of Non-Instructional Services	4,250	615
Food Service Operations	850,160	749,879
Extracurricular Activities	359,622	342,959
Interest and Fiscal Charges	445,856	498,111
<b>Total Expenses</b>	<b>20,222,226</b>	<b>19,442,269</b>
<b>Decrease in Net Assets</b>	<b>\$495,217</b>	<b>(\$920,977)</b>

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

In 2005, 33 percent of the School District's revenues were from property taxes and 45 percent were from unrestricted grants and entitlements. Property taxes had a significant increase from the prior year primarily due to the change in the amount available as an advance on the August tax settlement from prior years as well as a decrease in the amount of delinquencies that were estimated to be collectible by the Jefferson County Auditor during fiscal year 2004 that was a prospective change effective in fiscal year 2004. Unrestricted grants and entitlements increased by \$477,677.

Instructional programs comprise approximately 59 percent of total governmental program expenses. Of the instructional expenses, approximately 74 percent is for regular instruction, 19 percent for special instruction, and 7 percent for vocational instruction. Instructional program expenses increased by \$799,944 from the prior year due primarily to the special termination benefits package offered to employees during fiscal year 2005 as well as increased utilities and other operating costs.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2005 compared to fiscal year 2004. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Instruction				
Regular	\$8,810,569	\$8,046,103	\$7,414,860	\$6,684,558
Special	2,308,356	2,318,971	602,231	883,736
Vocational	800,602	754,509	687,291	660,911
Support Services				
Pupil	367,883	385,927	234,135	360,100
Instructional Staff	533,301	549,691	234,862	194,626
Board of Education, Administration				
Fiscal, Business and Central	2,204,415	2,360,961	2,019,233	2,116,345
Operation and Maintenance of Plant	2,043,119	1,949,421	1,921,629	1,921,838
Pupil Transportation	1,494,093	1,485,122	1,422,583	1,420,905
Operation of Non-Instructional Services	4,250	615	271	(35)
Food Service Operations	850,160	749,879	120,738	81,929
Extracurricular Activities	359,622	342,959	259,263	222,970
Interest and Fiscal Charges	445,856	498,111	445,856	498,111
<b>Total Expenses</b>	<b>\$20,222,226</b>	<b>\$19,442,269</b>	<b>\$15,362,952</b>	<b>\$15,045,994</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 76 percent of expenses are supported through taxes and other general revenues.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$16,379,840 and expenditures of \$15,404,465. Overall, including other financing sources and uses, the School District's general fund balance increased \$891,078 during fiscal year 2005.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2005, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and final budgeted appropriations. The School District had originally not budgeted for the open enrollment tuition and fees revenue as well as had a conservative estimate for intergovernmental revenue.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the School District had \$11,387,334 invested in land, buildings, furniture, equipment and vehicles. See note 8 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2005, the School District had \$5,966,587 in bonds, loans, and capital leases outstanding. See note 14 for more detailed information on the School District's debt.

***Economic Factors***

A special termination benefit package was offered to employees through Educators Preferred Corporation. The package was offered to employees with at least 10 years of service with Buckeye Local School District. Eleven teachers eligible to retire participated. Two teachers with 10 or more years of service also participated. The district will pay the incentive to EPC who will distribute the payments to the retirees. The School District will pay EPC \$709,153 in total that will be paid over fiscal years 2006 and 2007.

All employees of the Buckeye Local School District enrolled with the Health Plan. Previously, employees had their choice of enrolling in the Health Plan or Medical Mutual. The savings on a family plan was \$295.71 per month and the savings on the single plan was 120.61 per month. This resulted in a savings in the General Fund of approximately \$352,795.

No salary increases were given during fiscal year 2005 to any group of Buckeye Local employees.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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In April, 2005, the district implemented a point of sale system in the high school cafeteria. This was done to provide confidentiality to students on free and reduced lunch in hopes that they would purchase a lunch that the district could claim for reimbursement. During the past several years, the General Fund has subsidized the food service program. This point of sale system was installed as an effort to avoid this practice in the future.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Dana Prebeg, Treasurer/CFO at Buckeye Local School District, 6898 State Route 150, Dillonvale, Ohio 43917.

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**Buckeye Local School District**  
*Statement of Net Assets*  
*June 30, 2005*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,204,413
Intergovernmental Receivable	180,595
Accrued Interest Receivable	2,932
Prepaid Items	17,163
Materials and Supplies Inventory	82,499
Property Taxes Receivable	6,873,087
Deferred Charges	60,005
Non-Depreciable Capital Assets	579,049
Depreciable Capital Assets, Net	10,808,285
<i>Total Assets</i>	21,808,028
<b>Liabilities</b>	
Accounts Payable	38,094
Accrued Wages and Benefits Payable	1,702,188
Matured Severance Payable	7,315
Intergovernmental Payable	652,334
Accrued Interest Payable	3,017
Special Termination Benefits Payable	709,153
Deferred Revenue	5,519,800
Long-Term Liabilities:	
Due Within One Year	1,019,445
Due In More Than One Year	5,896,877
<i>Total Liabilities</i>	15,548,223
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,850,546
Restricted for:	
Debt Service	1,225,308
Other Purposes	96,664
Unrestricted (Deficit)	(2,912,713)
<i>Total Net Assets</i>	\$6,259,805

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$8,810,569	\$423,561	\$972,148	\$0	(\$7,414,860)
Special	2,308,356	0	1,706,125	0	(602,231)
Vocational	800,602	6,895	106,416	0	(687,291)
Support Services:					
Pupil	367,883	0	133,748	0	(234,135)
Instructional Staff	533,301	0	298,439	0	(234,862)
Board of Education	56,822	0	0	0	(56,822)
Administration	1,667,672	0	130,948	0	(1,536,724)
Fiscal	416,654	0	0	0	(416,654)
Business	60,806	32,830	19,199	0	(8,777)
Operation and Maintenance of Plant	2,043,119	9,149	112,341	0	(1,921,629)
Pupil Transportation	1,494,093	0	31,991	39,519	(1,422,583)
Central	2,461	0	2,205	0	(256)
Operation of Non-Instructional Services	4,250	0	3,979	0	(271)
Food Service Operations	850,160	316,720	412,702	0	(120,738)
Extracurricular Activities	359,622	100,359	0	0	(259,263)
Interest and Fiscal Charges	445,856	0	0	0	(445,856)
<i>Total Governmental Activities</i>	<u>\$20,222,226</u>	<u>\$889,514</u>	<u>\$3,930,241</u>	<u>\$39,519</u>	<u>(\$15,362,952)</u>

**General Revenues**

Property Taxes Levied for General Purposes	5,853,066
Property Taxes Levied for Debt Service	713,313
Grants and Entitlements not Restricted to Specific Programs	9,233,545
Investment Earnings	41,445
Miscellaneous	16,800

*Total General Revenues* 15,858,169

Change in Net Assets 495,217

*Net Assets Beginning of Year* 5,764,588

*Net Assets End of Year* \$6,259,805

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2005*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,670,640	\$1,194,586	\$223,226	\$3,088,452
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	115,961	0	0	115,961
Receivables:				
Property Taxes	6,127,762	745,325	0	6,873,087
Intergovernmental	0	0	180,595	180,595
Interfund	79,891	0	0	79,891
Accrued Interest Receivable	2,932	0	0	2,932
Prepaid Items	17,163	0	0	17,163
Materials and Supplies Inventory	73,613	0	8,886	82,499
<i>Total Assets</i>	<u>\$8,087,962</u>	<u>\$1,939,911</u>	<u>\$412,707</u>	<u>\$10,440,580</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$27,569	\$0	\$10,525	\$38,094
Accrued Wages and Benefits	1,363,270	0	338,918	1,702,188
Matured Severences Payable	7,315	0	0	7,315
Interfund Payable	0	0	79,891	79,891
Intergovernmental Payable	453,428	0	198,906	652,334
Deferred Revenue	5,438,806	662,063	79,683	6,180,552
Special Termination Benefits Payable	349,578	0	0	349,578
<i>Total Liabilities</i>	<u>7,639,966</u>	<u>662,063</u>	<u>707,923</u>	<u>9,009,952</u>
<b>Fund Balances (Deficit)</b>				
Reserved for Encumbrances	59,180	0	65,666	124,846
Reserved for Property Taxes	691,888	83,262	0	775,150
Reserved for Budget Stabilization	115,961	0	0	115,961
Unreserved, Undesignated, Reported in:				
General Fund	(419,033)	0	0	(419,033)
Special Revenue Funds	0	0	(358,282)	(358,282)
Debt Service Fund	0	1,194,586	0	1,194,586
Capital Projects Funds	0	0	(2,600)	(2,600)
<i>Total Fund Balances(Deficit)</i>	<u>447,996</u>	<u>1,277,848</u>	<u>(295,216)</u>	<u>1,430,628</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,087,962</u>	<u>\$1,939,911</u>	<u>\$412,707</u>	<u>\$10,440,580</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005*

**Total Governmental Fund Balances** \$1,430,628

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

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 11,387,334

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

Grants	79,683
Interest	2,932
Property Taxes	<u>578,137</u>

Total 660,752

Unamortized issuance costs represent deferred charges which  
do not provide current financial resources and, therefore, are  
not reported in the funds. 60,005

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

General Obligation Bonds	5,118,162
Compensated Absences	1,557,217
Special Termination Benefits Payable	359,575
Accrued Interest Payable	3,017
Energy Conservation Loan	32,800
Capital Leases	<u>208,143</u>

Total (7,278,914)

*Net Assets of Governmental Activities* \$6,259,805

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$5,964,497	\$725,100	\$0	\$6,689,597
Intergovernmental	9,927,458	255,840	2,972,807	13,156,105
Interest	38,378	0	135	38,513
Tuition and Fees	430,456	0	8,998	439,454
Extracurricular Activities	0	0	126,766	126,766
Rent	151	0	0	151
Contributions and Donations	2,100	0	20,314	22,414
Charges for Services	0	0	316,720	316,720
Miscellaneous	16,800	0	6,423	23,223
<i>Total Revenues</i>	<u>16,379,840</u>	<u>980,940</u>	<u>3,452,163</u>	<u>20,812,943</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,411,200	0	950,918	8,362,118
Special	1,154,089	0	1,107,297	2,261,386
Vocational	764,203	0	0	764,203
Support Services:				
Pupil	226,716	0	134,810	361,526
Instructional Staff	203,013	0	281,641	484,654
Board of Education	56,822	0	0	56,822
Administration	1,478,302	0	133,379	1,611,681
Fiscal	395,264	16,523	0	411,787
Business	0	0	60,806	60,806
Operation and Maintenance of Plant	1,856,699	0	125,857	1,982,556
Pupil Transportation	1,532,598	0	2,906	1,535,504
Central	0	0	2,461	2,461
Operation of Non-Instructional Services	0	0	4,250	4,250
Food Service Operations	0	0	768,857	768,857
Extracurricular Activities	240,845	0	114,704	355,549
Capital Outlay	0	0	32,643	32,643
Debt Service:				
Principal Retirement	75,742	270,577	0	346,319
Interest and Fiscal Charges	8,972	690,632	0	699,604
<i>Total Expenditures</i>	<u>15,404,465</u>	<u>977,732</u>	<u>3,720,529</u>	<u>20,102,726</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	975,375	3,208	(268,366)	710,217
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	33,435	0	0	33,435
Transfers In	0	79,732	38,000	117,732
Transfers Out	(117,732)	0	0	(117,732)
<i>Total Other Financing Sources (Uses)</i>	<u>(84,297)</u>	<u>79,732</u>	<u>38,000</u>	<u>33,435</u>
<i>Net Change in Fund Balances</i>	891,078	82,940	(230,366)	743,652
<i>Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)</i>	<u>(443,082)</u>	<u>1,194,908</u>	<u>(64,850)</u>	<u>686,976</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$447,996</u>	<u>\$1,277,848</u>	<u>(\$295,216)</u>	<u>\$1,430,628</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and the 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**

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

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

Capital Asset Additions	200,561
Current Year Depreciation	(494,957)
Total	(294,396)

Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities

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

Grants	24,786
Interest	2,932
Property Taxes	(123,218)
Total	(95,499)

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

General Obligation Bonds	195,577
Payment of Accretion	624,423
Energy Conservation Loans	75,000
Capital Leases	75,742
Total	970,742

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

Accretion of Interest	(372,841)
Accrued Interest	2,186
Total	(370,655)

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

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the statement of activities.

Refunding gains are reported as an expense in the governmental funds, but are allocated as a reduction of an expense over the life of the bonds.

Some expenses reported in the statement of activities, such as compensated absences, and special termination benefits payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Special Termination Benefits Payable	(359,575)
Compensated Absences Payable	(13,825)
Total	(373,400)

*Changes in Net Assets of Governmental Activities*

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$5,497,186	\$5,689,987	\$5,689,987	\$0
Intergovernmental	9,361,768	9,927,458	9,927,458	0
Interest	15,000	39,222	39,222	0
Tuition and Fees	41,350	430,456	430,456	0
Rent	0	151	151	0
Contributions and Donations	3,000	2,100	2,100	0
Miscellaneous	20,000	16,800	16,800	0
<i>Total Revenues</i>	<u>14,938,304</u>	<u>16,106,174</u>	<u>16,106,174</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,506,894	6,524,660	7,040,524	(515,864)
Special	1,335,062	1,335,062	1,158,703	176,359
Vocational	754,346	754,346	760,715	(6,369)
Support Services:				
Pupils	370,550	370,550	239,396	131,154
Instructional Staff	134,071	134,071	197,755	(63,684)
Board of Education	64,065	64,065	59,644	4,421
Administration	1,527,309	1,527,309	1,479,425	47,884
Fiscal	463,501	463,501	399,745	63,756
Operation and Maintenance of Plant	2,291,763	2,291,763	1,899,029	392,734
Pupil Transportation	1,480,723	1,480,723	1,580,754	(100,031)
Extracurricular Activities	219,586	219,586	239,521	(19,935)
Debt Service:				
Principal Retirement	58,000	58,000	58,000	0
Interest and Fiscal Charges	12,733	12,733	7,785	4,948
<i>Total Expenditures</i>	<u>15,218,603</u>	<u>15,236,369</u>	<u>15,120,996</u>	<u>115,373</u>
Excess of Revenues Over (Under) Expenditures	<u>(280,299)</u>	<u>869,805</u>	<u>985,178</u>	<u>115,373</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	60,402	0	0	0
Sale of Fixed Assets	38,000	33,435	33,435	0
Advances In	100,000	5,000	0	(5,000)
Transfers Out	(407,823)	(407,823)	(117,732)	290,091
Advances Out	0	0	(4,161)	(4,161)
Total Other Financing Sources (Uses)	<u>(209,421)</u>	<u>(369,388)</u>	<u>(88,458)</u>	<u>280,930</u>
<i>Net Change in Fund Balance</i>	(489,720)	500,417	896,720	396,303
<i>Fund Balance Beginning of Year</i>	757,076	757,076	757,076	0
Prior Year Encumbrances Appropriated	55,243	55,243	55,243	0
<i>Fund Balance End of Year</i>	<u>\$322,599</u>	<u>\$1,312,736</u>	<u>\$1,709,039</u>	<u>\$396,303</u>

See accompanying notes to the basic financial statement:

**Buckeye Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2005*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$22,061	\$73,092
<i>Total Assets</i>	22,061	\$73,092
<b>Liabilities</b>		
Due to Students	0	73,092
<i>Total Liabilities</i>	0	\$73,092
<b>Net Assets</b>		
Held in Trust for Scholarships	22,061	
<i>Total Net Assets</i>	\$22,061	

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2005*

	Private Purpose Trust Fund
<b>Additions</b>	
Contributions and Donations	\$2,793
Interest	227
Total Additions	3,020
<b>Deductions</b>	
Scholarships Awarded	500
<i>Change in Net Assets</i>	2,520
<i>Net Assets Beginning of Year</i>	19,541
<i>Net Assets End of Year</i>	\$22,061

See accompanying notes to the basic financial statements

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**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

The School District was created by the consolidation in 1965 of Adena, Dillonvale, Mount Pleasant, Brilliant, Smithfield and Yorkville Local School Districts, and by a merger with the Warren Consolidated School District in 1966. The School District serves an area of approximately 136 square miles encompassing most of the southern half of Jefferson County, extending west into Harrison County and south into Belmont County. It is staffed by 110 non-certified employees, 178 certified full-time teaching personnel, and 12 administrative employees who provide services to 2,398 students and other community members. The School District currently operates 7 instructional buildings, 1 administrative building, and 1 garage.

*Reporting Entity:*

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

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

The School District is involved with six organizations, four of which are defined as jointly governed organizations, and two of which are defined as insurance purchasing pools. These organizations are the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Educational Service Agency (OME-RESA), East Central Ohio Special Education Regional Resource Center (ECOSERRC), the Coalition of Rural and Appalachian Schools (CORAS), the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**C. Measurement Focus**

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 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 measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

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

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposit, negotiable certificates of deposit, money market mutual funds, and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$38,378 which includes \$22,109 assigned from other School District funds.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**F. Restricted Assets**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District currently only capitalizes land, buildings and improvements, furniture and equipment and vehicles. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**J. Interfund Balances**

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

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that are paid from governmental funds are reported as a liability on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, long-term notes and loans are recognized as liabilities on the governmental fund financial statements when due.

**M. Bond Premiums, Discounts, Gains/Losses on Refinancing and Issuance Costs**

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

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

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

Any Gain/Loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**N. Interfund Activity**

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

**O. Fund Balance Reserves**

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

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

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources of state and federal grants restricted for specified purposes. The government-wide statement of net assets reports \$1,321,972 of restricted net assets. Of the restricted net assets, \$826,137 has resulted from enabling legislation.

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

**Q. Extraordinary and Special Items**

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

**R. Estimates**

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**S. Budgetary Data**

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

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

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

**NOTE 3 – PRIOR PERIOD RESTATEMENTS AND CHANGE IN ACCOUNTING PRINCIPLES**

**Change in Accounting Principles** For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 5 "Deposits and Investments" for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an 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 affected the fund balances of governmental funds, but had no effect on net assets. The effect of the implementation of this technical bulletin is presented below.

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GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

	General	Debt Service	Other Governmental	Total Governmental Funds
Fund Balances, June 30, 2004	(\$271,981)	\$1,194,908	\$46,941	\$969,868
GASB Technical Bulletin 2004-02 Restatement	(171,101)	0	(111,791)	(282,892)
Restated Fund Balances, June 30, 2004	<u>(\$443,082)</u>	<u>\$1,194,908</u>	<u>(\$64,850)</u>	<u>\$686,976</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$891,078
Revenue Accruals	(273,666)
Expenditure Accruals	361,875
Advances Out	(4,161)
Encumbrances	<u>(78,406)</u>
Budget Basis	<u>\$896,720</u>

**Buckeye Local School District**  
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**NOTE 5 - CASH AND CASH EQUIVALENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Buckeye Local School District**  
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Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,058,484 of the School District's bank balance of \$2,616,949 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Negotiable CD's	\$250,000	7/29/2005	29.37%	N/A	N/A
Negotiable CD's	199,156	1/31/2006	23.40%	N/A	N/A
Negotiable CD's	50,000	2/3/2006	5.87%	N/A	N/A
Negotiable CD's	250,000	5/11/2006	29.37%	N/A	N/A
STAR Ohio	102,058	33 Days	11.99%	AAAm	S&P
Totals	<u>\$851,214</u>		<u>100.00%</u>		

**Interest Rate Risk.** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk.** The credit ratings for the School District's securities are listed above. The School District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
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Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 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, 2004, 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-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont, Harrison and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$691,888 in the general fund and \$83,262 in the debt service fund. The amount available as an advance at June 30, 2004, was \$417,378 in the general fund and \$52,621 in the debt service fund.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
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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	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$151,281,160	58.5%	\$151,442,740	57.7%
Public Utility Personal	81,052,580	31.3%	84,322,820	32.1%
Tangible Personal	26,426,567	10.2%	26,852,587	10.2%
	<u>\$258,760,307</u>	<u>100.0%</u>	<u>\$262,618,147</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation		\$30.40		\$30.40

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, interfund, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
FEMA	\$58,832
Part B-IDEA	49,417
Title II-A	30,328
Title I	26,382
Drug Free School	11,064
Title II-D	2,099
Preschool	2,062
Title VI	411
Total Intergovernmental Receivables	<u>\$180,595</u>

**Buckeye Local School District**  
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**NOTE 8 – CAPITAL ASSETS**

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

	Balance at 6/30/04	Additions	Deletions	Balance at 6/30/05
Capital Assets - Not Depreciated:				
Land	\$579,049	0	0	\$579,049
Capital Assets - Depreciated:				
Land Improvements	916,613	14,516	(124,900)	806,229
Buildings and Improvements	17,707,672	29,312	(178,413)	17,558,571
Furniture and Equipment	893,776	5,196	(6,500)	892,472
Vehicles	1,493,111	151,537	(116,482)	1,528,166
Total Capital Assets - Depreciated	21,011,172	200,561	(426,295)	20,785,438
Less Accumulated Depreciation:				
Land Improvements	(734,320)	(30,801)	121,778	(643,343)
Buildings and Improvements	(7,457,467)	(308,234)	123,330	(7,642,371)
Furniture and Equipment	(484,698)	(57,553)	6,500	(535,751)
Vehicles	(1,146,800)	(98,369)	89,481	(1,155,688)
Total Accumulated Depreciation	(9,823,285)	(494,957)	341,089	(9,977,153)
Total Capital Assets - Depreciated, Net	11,187,887	(294,396)	(85,206)	10,808,285
Governmental Capital Assets, Net	\$11,766,936	(\$294,396)	(\$85,206)	\$11,387,334

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$197,600
Special	40,070
Vocational	27,742
Support Services:	
Instructional Staff	43,153
Administration	36,909
Operation and Maintenance of Plant	35,380
Pupil Transportation	96,044
Food Service Operations	13,986
Extracurricular Activities	4,073
Total Depreciation Expense	\$494,957

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005 the School District contracted with the Indiana Insurance Company for property and fleet insurance. The type and amount of coverage provided by the Indiana Insurance Company follows:

Commercial Property Coverage - Blanket	\$53,933,218
Property Deductible	2,500
Auto Liability - Combined Single Limit	2,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Comprehensive (ACV) and Towing	250 deductible
Collision (ACV)	500 deductible
Hired and Non-Owned Liability	1,000,000

During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium amount to the OSP (See Note 18). The types and amounts of coverage provided by the Ohio School Plan are as follows:

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

**Buckeye Local School District**  
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Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$175,438, \$207,013 and \$211,869 respectively; 36.12 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,125,499, \$1,188,122, and \$1,110,793 respectively; 81.95 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$6,756 made by the School District and \$14,353 made by the plan members.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

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

**Buckeye Local School District**  
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By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$80,496 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$300,858.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and certain administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to maximum of 240 days for teachers and administrators. In lieu of the 25 percent retirement payment, the certified staff may choose to receive retirement pay consisting of fifty dollars for each day of accumulated, unused sick leave on the date of retirement. For the classified employees, payment upon retirement is 30 percent of the unused accumulated sick leave without limit.

**B. Insurance Benefits**

The School District provides medical, health, and prescription card coverage for all eligible employees through the Health Plan. The School District pays 100 percent of the total monthly premiums of \$847.72 for family coverage and \$302.76 for single coverage.

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

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

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for the purchase and improvement of a building which currently houses the bus garage and the administrative offices. The School District has also entered into a lease for fitness equipment to be used for educational purposes.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from functional expenditures and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The building and equipment acquired by lease have been capitalized in government wide statements governmental activities in the amount of \$477,808, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities assets are reflected net of accumulated depreciation in the amount of \$399,567. Principal payments in fiscal year 2005 totaled \$75,742 in the governmental funds.

Future minimum lease payments through 2008 are as follows:

Fiscal Year Ending June 30, 2005	Principal	Interest	Total
2006	\$77,143	\$10,024	\$87,167
2007	64,000	6,552	\$70,552
2008	67,000	3,348	\$70,348
Total	\$208,143	\$19,924	\$228,067

**Buckeye Local School District**  
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**NOTE 14 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Outstanding 6/30/04	Additions	Reductions	Outstanding 6/30/05	Amounts Due Within One Year
<b>General Obligation Bonds:</b>					
1993 School Improvement Refunding Bonds \$3,749,794					
Capital Appreciation Bonds \$574,794 @ 5.2%-5.6%	\$422,488	\$0	\$130,577	\$291,911	\$111,951
Accretion of Interest - \$3,205,206 @ 15.95%-16.0%	1,869,054	306,858	624,423	1,551,489	643,049
2003 School Improvement Refunding Bonds \$3,174,986					
Serial Bonds - \$1,875,000 @ 1.5%-3.75%	1,875,000	0	65,000	1,810,000	75,000
Capital Appreciation Bonds - \$1,299,986 @ 2.88%-3.23%	1,299,986	0	0	1,299,986	0
Accretion of Interest - \$307,014 @ 4.476%	38,911	65,983	0	104,894	0
Premium - \$135,589	122,878	0	16,949	105,929	0
Refunding Difference - \$58,941	(53,415)	0	(7,368)	(46,047)	0
<b>Total General Obligation Bonds</b>	<b>5,574,902</b>	<b>372,841</b>	<b>829,581</b>	<b>5,118,162</b>	<b>830,000</b>
1996 Energy Conservation Loan - \$727,800 @ 5.25%	107,800	0	75,000	32,800	32,800
Capital Leases	283,885	0	75,742	208,143	77,143
Compensated Absences	1,543,392	251,233	237,408	1,557,217	79,502
<b>Total General Long-Term Obligations</b>	<b>\$7,509,979</b>	<b>\$624,074</b>	<b>\$1,217,731</b>	<b>\$6,916,322</b>	<b>\$1,019,445</b>

*1993 School Improvement Refunding General Obligation Bonds* – On June 1, 1993, Buckeye Local School District issued \$9,609,794 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,860,000, \$3,175,000, and \$574,794, respectively. The general obligation bonds were issued for the purpose of refunding existing debt that had been used for improving, renovating, and remodeling existing school buildings and constructing, furnishing and equipping a new high school. The bonds were issued for an eighteen year period with final maturity at December 1, 2011. The bonds will be retired from the debt service fund. The proceeds of these bonds were placed in an irrevocable trust to provide for all future debt service payments on the refunded serial/term bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2005, \$5,995,000 of bonds outstanding is considered defeased.

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

The capital appreciation bonds remained outstanding at June 30, 2005. These bonds were originally sold at a discount of \$3,205,206, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is through 2008.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

During fiscal year 2005 capital appreciation bonds matured and were retired with an original principal amount of \$130,577 and an accreted interest amount of \$624,423 (for a total of \$755,000). The maturity amount of outstanding capital appreciation bonds at June 30, 2005 is \$2,270,000. The accretion recorded for 2005 was \$306,858, for a total outstanding bond liability of \$1,843,400 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds for the 1993 School Improvement Refunding Bonds outstanding at June 30, 2005 are as follows:

1993 School Improvement Capital Appreciation Bonds			
Fiscal Year	Principal	Interest	Total
2006	\$111,951	\$643,049	\$755,000
2007	96,572	658,428	755,000
2008	83,388	676,612	760,000
Totals	\$291,911	\$1,978,089	\$2,270,000

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

These refunding bonds were issued with a premium of \$135,589. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2005 was \$16,949. The refunding bonds had issuance costs of \$76,807 and are being amortized over the life of the bonds using the straight-line method to deferred charges. The amortization of the issuance costs for fiscal year 2005 was \$9,601. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$58,941. This difference is being amortized to interest expense over the life of the bonds using the straight-line method. The fiscal year 2005 amortization was \$7,368.

The 2003 bond issue consists of serial and capital appreciation bonds, whose outstanding value at June 30, 2005 are \$1,810,000 and \$1,299,986, respectively. These bonds are not subject to early redemption.

The capital appreciation bonds for this issue mature December 1, 2008 through December 1, 2009. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$1,670,000. For fiscal year 2005, \$65,983 was accreted for a total bond liability of \$1,404,880.

Principal and interest requirements to retire general obligation bonds for the 2003 School Improvement Refunding Bonds outstanding at June 30, 2005 are as follows:

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

2003 School Improvement Refunding Bonds						
Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2006	\$75,000	\$60,412	\$0	\$0	\$75,000	\$60,412
2007	75,000	58,912	0	0	75,000	58,912
2008	75,000	57,225	0	0	75,000	57,225
2009	0	56,288	664,376	170,624	664,376	226,912
2010	0	56,287	635,610	199,390	635,610	255,677
2011-2012	1,585,000	56,081	0	0	1,585,000	56,081
Totals	<u>\$1,810,000</u>	<u>\$345,205</u>	<u>\$1,299,986</u>	<u>\$370,014</u>	<u>\$3,109,986</u>	<u>\$715,219</u>

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

Energy Conservation Loan Payable		
Fiscal Year	Principal	Interest
2006	<u>\$32,800</u>	<u>\$861</u>

Capital Leases and compensated absences will be paid from the general fund.

The School District's overall legal debt margin was \$21,316,007, with an unvoted debt margin of \$262,618, at June 30, 2005.

**NOTE 15 – INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2005 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u>\$79,891</u>

The interfund receivable in the general fund is for the loan to the miscellaneous federal grants special revenue fund to support the programs until the federal grant monies are received. The loan to the food service special revenue fund is for the subsidy of the food service program that is intended to be repaid.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**B. Transfers**

Transfers From	Transfers To	
<u>General Fund</u>	Debt Service	\$38,000
	Other Governmental	79,732
Total	\$117,732	\$117,732

During fiscal year 2005, the General Fund transferred \$79,732 to the Debt Service Fund for the debt service principal and interest amounts for the energy conservation loan and \$38,000 to the permanent improvement fund for improvements on the building that houses the bus garage and the administrative building.

**NOTE 16 – SPECIAL TERMINATION BENEFITS PAYABLE**

Buckeye Local School District offered a one-time only special termination benefit incentive at the end of the 2004-2005 school year. Teachers who were at the top of the salary schedule and who terminated employment, regardless of whether they were eligible to retire, and did so at the end of the year, would be paid an amount equal to their annual salary up to a maximum of \$45,000. Those who were eligible for retirement, and did retire, would receive their annual salary amount as well as their normal severance payment. Eleven teachers who were eligible to retire and two teachers with ten or more years of service with the District participated. The total cost of the special termination benefit was \$709,153. The District contracted with Educators Preferred Corporation to administer the payment of these benefits to employees over a two year period. See subsequent event Note 22 for further discussion.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Jefferson County Joint Vocational School* – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2005, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Karen Spoonmore, who serves as Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2005, the total amount paid to OME-RESA from the School District was \$49,778. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

*The Coalition of Rural and Appalachian Schools (CORAS)* - is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2005.

**NOTE 18 – INSURANCE PURCHASING POOL**

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

*Ohio School Boards Association Workers' Compensation Group Rating Plan* – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 OSBA. 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.

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2005 this is all that continues to be set aside.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0	\$115,961
Current Year Set-aside Requirement	305,067	305,067	0
Allowable Carry Forward from Fiscal Year 2004	(121,177)	0	0
Qualifying Transfers	0	(38,000)	0
Qualifying Disbursements	<u>(321,966)</u>	<u>(274,394)</u>	<u>0</u>
Totals	<u>(\$138,076)</u>	<u>(\$7,327)</u>	<u>\$115,961</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$138,076)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>\$115,961</u>

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

**NOTE 20 - STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

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

**NOTE 22 - SUBSEQUENT EVENT**

The special termination benefits package that was offered at the end of the 2004-2005 school year, had a total cost of \$709,153. The School District made the first payment of \$349,578 in August 2005.

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**FEDERAL AWARD EXPENDITURES SCHEDULE  
JUNE 30, 2005**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Nutrition Cluster:</b>						
Food Distribution Program	03-PU-02	10.550		\$30,748		\$30,748
National School Breakfast	02-PU-02	10.553	\$89,395		\$89,395	
National School Lunch Program	04-PU-02	10.555	339,742		339,742	
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>\$429,136</b>	<b>\$30,748</b>	<b>\$429,137</b>	<b>\$30,748</b>
<b>U.S. Department of Education</b>						
<i>All Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-04 C1-S1-05 C1-S1-04A C1-S1-05A	84.010			127,190 601,264 0 2,150	
<b>Total Grants to Local Education Agencies</b>			<b>648,804</b>		<b>732,704</b>	
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA Part B)	MS-S1-04 MS-S1-05	84.027	62,457 536,043		87,345 493,179	
<b>Total Special Education to States (IDEA Part B)</b>			<b>598,500</b>		<b>580,524</b>	
Special Education - Preschool Grant Total Special Education Cluster	PG-05	84	26,410 624,910		28,472 608,996	
Innovative Education Program Strategies	C2-S1-03 C2-S1-04 C2-S1-05	84.298			1,154 1,234 13,888	
<b>Total Innovative Education Program</b>			<b>15,042</b>		<b>13,541</b>	
Improving Teacher Quality Program	FY 04 FY 05	84.367	21,324 159,781		37,436 147,115	
<b>Total Improving Teacher Quality Program</b>			<b>181,105</b>		<b>184,551</b>	
Safe and Drug Free School Program	DR-S1-04 DR-S1-05	84.186			1,396 14,068	
<b>Total Safe and Drug Free School Program</b>			<b>14,686</b>		<b>15,464</b>	
Rural Education Grant	FY 04	84.358	8,705		8,705	
Education Technology Grant	FY04 FY05	84.318			242 17,950	
<b>Total Education Technology Grant</b>			<b>15,851</b>		<b>18,192</b>	
<b>Total Department of Education</b>			<b>\$1,509,103</b>		<b>\$1,582,153</b>	
<b>U.S. Department of Homeland Security</b>						
Public Assistance	FY04 FY05	97.036	\$738 \$76,998		\$5,345 \$76,998	
<b>Total Public Assistance</b>			<b>\$77,736</b>		<b>\$82,343</b>	
<b>Total Federal Financial Awards</b>			<b>\$2,015,976</b>	<b>\$30,748</b>	<b>\$2,093,633</b>	<b>\$30,748</b>

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

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005 the District had no significant food commodities.



## **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***

Buckeye Local School District  
Jefferson County  
6898 State Route 150  
Dillonvale, Ohio 43917

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated February 13, 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. In a separate letter to the District's management dated February 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 February 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

February 13, 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

Buckeye Local School District  
Jefferson County  
6898 State Route 150  
Dillonvale, Ohio 43917

To The Board of Education:

#### Compliance

We have audited the compliance of Buckeye Local School District, Jefferson County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that 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 we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Buckeye Local School District complied, in all material respects, with the requirements referred to above that 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, 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

February 13, 2006

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON 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):	<b>Special Education Cluster:</b> CFDA #84.027 and 84.173 <b>Nutrition Cluster:</b> CFDA # 10.550, 10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

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

None	
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**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2004-001	<b>Ohio Revised Code §5705.41(b)</b> , expenditures exceeded appropriations in the Debt Service Fund	NO	The violation has been fully corrected in the Debt Service Fund, however the violation has occurred in the Permanent Fund immaterial amount and is cited in the management letter.



**Auditor of State  
Betty Montgomery**

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**BUCKEYE LOCAL SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 17, 2006**