



**Auditor of State
Betty Montgomery**

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Central Local School District
Crawford County
P.O. Box 368
New Washington, Ohio 44854

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Buckeye Central Local School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Central Local School District, Crawford County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery
Auditor of State**

October 29, 2003

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 921,754	\$ 108,954	\$ -	\$ 461,857
Investments - nonexpendable trust fund.	-	-	-	-
Cash with fiscal agent.	-	-	750	-
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent.	1,915,796	-	-	-
Accounts.	171	974	-	-
Accrued interest.	1,121	-	-	-
Due from other funds.	6,750	-	-	-
Due from other governments.	-	-	-	-
Materials and supplies inventory.	5,284	-	-	-
Prepayments.	18,214	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations.	-	-	-	-
Total assets and other debits.	\$ 2,869,090	\$ 109,928	\$ 750	\$ 461,857
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable.	\$ 10,911	\$ 1,597	\$ -	\$ -
Accrued wages and benefits.	435,973	392	-	-
Compensated absences payable.	16,224	-	-	-
Pension obligation payable.	79,322	-	-	-
Due to other funds.	-	-	-	-
Deferred revenue.	1,081,392	-	-	-
Due to other governments.	7,418	225	-	-
Due to students.	-	-	-	-
Accrued interest payable.	-	-	750	-
Capital lease obligation.	-	-	-	-
Total liabilities.	1,631,240	2,214	750	-
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets.	-	-	-	-
Contributed capital.	-	-	-	-
Retained earnings: unreserved.	-	-	-	-
Fund balances:				
Reserved for encumbrances.	104,166	41,615	-	-
Reserved for materials and supplies inventory.	5,284	-	-	-
Reserved for prepayments.	18,214	-	-	-
Reserved for tax revenue unavailable for appropriation.	474,638	-	-	-
Reserved for principal endowment.	-	-	-	-
Unreserved:				
Undesignated.	635,548	66,099	-	461,857
Total equity and other credits.	1,237,850	107,714	-	461,857
Total liabilities, equity and other credits.	\$ 2,869,090	\$ 109,928	\$ 750	\$ 461,857

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 31,987	\$ 18,857	\$ -	\$ -	\$ 1,543,409
-	172,608	-	-	172,608
-	-	-	-	750
-	-	-	-	1,915,796
-	-	-	-	1,145
-	142	-	-	1,263
-	-	-	-	6,750
7,517	-	-	-	7,517
6,032	-	-	-	11,316
-	-	-	-	18,214
19,192	-	9,435,307	-	9,454,499
-	-	-	355,332	355,332
<u>\$ 64,728</u>	<u>\$ 191,607</u>	<u>\$ 9,435,307</u>	<u>\$ 355,332</u>	<u>\$ 13,488,599</u>
\$ 74	\$ -	\$ -	\$ -	\$ 12,582
21,815	-	-	-	458,180
12,750	-	-	239,052	268,026
9,905	-	-	44,088	133,315
-	6,750	-	-	6,750
-	-	-	-	1,081,392
249	-	-	-	7,892
-	18,162	-	-	18,162
-	-	-	-	750
-	-	-	72,192	72,192
<u>44,793</u>	<u>24,912</u>	<u>-</u>	<u>355,332</u>	<u>2,059,241</u>
-	-	9,435,307	-	9,435,307
7,810	-	-	-	7,810
12,125	-	-	-	12,125
-	-	-	-	145,781
-	-	-	-	5,284
-	-	-	-	18,214
-	-	-	-	474,638
-	150,000	-	-	150,000
-	16,695	-	-	1,180,199
<u>19,935</u>	<u>166,695</u>	<u>9,435,307</u>	<u>-</u>	<u>11,429,358</u>
<u>\$ 64,728</u>	<u>\$ 191,607</u>	<u>\$ 9,435,307</u>	<u>\$ 355,332</u>	<u>\$ 13,488,599</u>

BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
From local sources:					
Taxes	\$ 2,498,028	\$ -	\$ -	\$ -	\$ 2,498,028
Earnings on investments	28,072	40	-	-	28,112
Extracurricular	-	97,890	-	-	97,890
Other local revenues	59,489	-	-	-	59,489
Intergovernmental - State	2,660,221	122,530	-	-	2,782,751
Intergovernmental - Federal	-	157,355	-	-	157,355
Total revenue	5,245,810	377,815	-	-	5,623,625
Expenditures:					
Current:					
Instruction:					
Regular	2,403,446	22,707	1,777	-	2,427,930
Special	330,247	148,570	-	-	478,817
Vocational	63,912	-	-	-	63,912
Other	23,235	-	-	-	23,235
Support services:					
Pupil	124,340	21,058	-	-	145,398
Instructional staff	139,906	24,863	-	-	164,769
Board of Education	20,229	-	-	-	20,229
Administration	609,449	-	-	-	609,449
Fiscal	156,059	1,783	-	-	157,842
Business	6,257	-	-	-	6,257
Operations and maintenance	431,714	-	-	-	431,714
Pupil transportation	340,887	-	-	-	340,887
Central	-	9,425	-	-	9,425
Community services	44,908	3,027	-	-	47,935
Extracurricular activities	133,907	92,087	-	-	225,994
Facilities acquisition and construction	15,178	-	20,854	-	36,032
Capital outlay	73,403	-	-	-	73,403
Intergovernmental pass through	-	96,093	-	-	96,093
Debt service:					
Principal retirement	25,810	-	-	-	25,810
Interest and fiscal charges	5,285	-	-	-	5,285
Total expenditures	4,948,172	419,613	22,631	-	5,390,416
Excess (deficiency) of revenues over (under) expenditures	297,638	(41,798)	(22,631)	-	233,209
Other financing sources (uses):					
Operating transfers in	-	-	375,000	-	375,000
Operating transfers out	(375,000)	-	-	-	(375,000)
Inception of capital lease	73,403	-	-	-	73,403
Total other financing sources (uses)	(301,597)	-	375,000	-	73,403
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(3,959)	(41,798)	352,369	-	306,612
Fund balances, July 1	1,241,439	149,512	109,488	695	1,501,134
Increase in reserve for inventory	370	-	-	-	370
Fund balances, June 30	\$ 1,237,850	\$ 107,714	\$ 461,857	\$ 695	\$ 1,808,116

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

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BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,406,700	\$ 2,422,161	\$ 15,461	\$ -	\$ -	\$ -
Earnings on investments	28,000	28,047	47	40	40	-
Extracurricular	-	-	-	93,695	96,917	3,222
Other local revenues	50,000	60,363	10,363	-	-	-
Intergovernmental - State	2,651,479	2,660,221	8,742	122,530	122,530	-
Intergovernmental - Federal	-	-	-	168,397	168,397	-
Total revenues	<u>5,136,179</u>	<u>5,170,792</u>	<u>34,613</u>	<u>384,662</u>	<u>387,884</u>	<u>3,222</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,647,168	2,390,898	256,270	39,576	39,576	-
Special	315,500	313,758	1,742	156,279	156,279	-
Vocational	70,700	65,139	5,561	-	-	-
Other	23,235	23,235	-	-	-	-
Support services:						
Pupil	131,100	122,708	8,392	21,060	21,060	-
Instructional staff	137,800	137,084	716	28,850	25,245	3,605
Board of Education	24,850	23,152	1,698	-	-	-
Administration	626,540	622,586	3,954	-	-	-
Fiscal	162,700	155,814	6,886	1,781	1,781	-
Business	33,000	31,347	1,653	-	-	-
Operations and maintenance	496,250	495,580	670	10,000	-	10,000
Pupil transportation	364,851	360,006	4,845	-	-	-
Central	-	-	-	9,516	9,516	-
Community services	62,406	44,808	17,598	2,635	2,635	-
Extracurricular activities	154,700	133,981	20,719	144,370	95,455	48,915
Facilities acquisition and construction	35,000	15,178	19,822	-	-	-
Intergovernmental pass through	-	-	-	119,639	119,639	-
Total expenditures	<u>5,285,800</u>	<u>4,935,274</u>	<u>350,526</u>	<u>533,706</u>	<u>471,186</u>	<u>62,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(149,621)</u>	<u>235,518</u>	<u>385,139</u>	<u>(149,044)</u>	<u>(83,302)</u>	<u>65,742</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(375,000)	(375,000)	-	-	-	-
Operating advances out	(46,470)	-	46,470	-	-	-
Refund of prior year expenditures	20,000	39,455	19,455	-	-	-
Total other financing sources (uses)	<u>(401,470)</u>	<u>(335,545)</u>	<u>65,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(551,091)</u>	<u>(100,027)</u>	<u>451,064</u>	<u>(149,044)</u>	<u>(83,302)</u>	<u>65,742</u>
Fund balances, July 1	813,306	813,306	-	104,864	104,864	-
Prior year encumbrances appropriated	<u>99,978</u>	<u>99,978</u>	<u>-</u>	<u>44,180</u>	<u>44,180</u>	<u>-</u>
Fund balances, June 30	<u>\$ 362,193</u>	<u>\$ 813,257</u>	<u>\$ 451,064</u>	<u>\$ -</u>	<u>\$ 65,742</u>	<u>\$ 65,742</u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,406,700	\$ 2,422,161	\$ 15,461
-	-	-	28,040	28,087	47
-	-	-	93,695	96,917	3,222
-	-	-	50,000	60,363	10,363
-	-	-	2,774,009	2,782,751	8,742
-	-	-	168,397	168,397	-
-	-	-	5,520,841	5,558,676	37,835
7,971	7,971	-	2,694,715	2,438,445	256,270
-	-	-	471,779	470,037	1,742
-	-	-	70,700	65,139	5,561
-	-	-	23,235	23,235	-
-	-	-	152,160	143,768	8,392
-	-	-	166,650	162,329	4,321
-	-	-	24,850	23,152	1,698
-	-	-	626,540	622,586	3,954
-	-	-	164,481	157,595	6,886
-	-	-	33,000	31,347	1,653
-	-	-	506,250	495,580	10,670
-	-	-	364,851	360,006	4,845
-	-	-	9,516	9,516	-
-	-	-	65,041	47,443	17,598
-	-	-	299,070	229,436	69,634
132,711	20,854	111,857	167,711	36,032	131,679
-	-	-	119,639	119,639	-
140,682	28,825	111,857	5,960,188	5,435,285	524,903
(140,682)	(28,825)	111,857	(439,347)	123,391	562,738
25,000	375,000	350,000	25,000	375,000	350,000
-	-	-	(375,000)	(375,000)	-
-	-	-	(46,470)	-	46,470
-	-	-	20,000	39,455	19,455
25,000	375,000	350,000	(376,470)	39,455	415,925
(115,682)	346,175	461,857	(815,817)	162,846	978,663
107,711	107,711	-	1,025,881	1,025,881	-
7,971	7,971	-	152,129	152,129	-
\$ -	\$ 461,857	\$ 461,857	\$ 362,193	\$ 1,340,856	\$ 978,663

BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Tuition and fees	\$ 305	\$ -	\$ 305
Sales/charges for services	160,119	-	160,119
Investment earnings	<u>-</u>	<u>8,407</u>	<u>8,407</u>
Total operating revenues	<u>160,424</u>	<u>8,407</u>	<u>168,831</u>
Operating expenses:			
Personal services	116,849	-	116,849
Contract services	7,195	-	7,195
Materials and supplies	106,142	-	106,142
Depreciation	2,783	-	2,783
Other.	<u>-</u>	<u>6,750</u>	<u>6,750</u>
Total operating expenses	<u>232,969</u>	<u>6,750</u>	<u>239,719</u>
Operating income (loss).	<u>(72,545)</u>	<u>1,657</u>	<u>(70,888)</u>
Nonoperating revenues:			
Operating grants	58,560	-	58,560
Federal commodities	18,133	-	18,133
Interest revenue	<u>625</u>	<u>-</u>	<u>625</u>
Total nonoperating revenues.	<u>77,318</u>	<u>-</u>	<u>77,318</u>
Net income before capital contributions.	4,773	1,657	6,430
Capital contributions.	<u>3,152</u>	<u>-</u>	<u>3,152</u>
Net income	7,925	1,657	9,582
Depreciation on fixed assets acquired by contributed capital.	2,703	-	2,703
Retained earnings/fund balance, July 1.	<u>1,497</u>	<u>164,343</u>	<u>165,840</u>
Retained earnings/fund balance, June 30	<u>12,125</u>	<u>166,000</u>	<u>178,125</u>
Contributed capital, July 1	10,513	-	10,513
Depreciation on fixed assets acquired by contributed capital.	<u>(2,703)</u>	<u>-</u>	<u>(2,703)</u>
Contributed capital, June 30	<u>7,810</u>	<u>-</u>	<u>7,810</u>
Total fund equity, June 30	<u>\$ 19,935</u>	<u>\$ 166,000</u>	<u>\$ 185,935</u>

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

BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees.	\$ 305	\$ -	\$ 305
Cash received from sales/service charges.	160,119	-	160,119
Cash payments for personal services	(108,316)	-	(108,316)
Cash payments for contract services	(7,195)	-	(7,195)
Cash payments for materials and supplies.	(89,388)	-	(89,388)
Cash payments for other expenses	-	-	-
	(44,475)	-	(44,475)
Net cash used in operating activities.			
Cash flows from noncapital financing activities:			
Cash received from operating grants	56,156	-	56,156
	56,156	-	56,156
Net cash provided by noncapital financing activities			
Cash flows from investing activities:			
Redemption of investment	-	164,207	164,207
Purchase of investment.	-	(172,608)	(172,608)
Interest received	625	8,401	9,026
	625	-	625
Net cash provided by investing activities			
Net increase in cash and cash equivalents	12,306	-	12,306
Cash and cash equivalents at beginning of year	19,681	-	19,681
Cash and cash equivalents at end of year.	\$ 31,987	\$ -	\$ 31,987
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (72,545)	\$ 1,657	\$ (70,888)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation.	2,783	-	2,783
Federal donated commodities	18,133	-	18,133
Interest reported as operating income	-	(8,407)	(8,407)
Changes in assets and liabilities:			
Increase in materials and supplies inventory.	(1,435)	-	(1,435)
Increase in accounts payable.	56	-	56
Decrease in accrued wages and benefits	6,575	-	6,575
Increase in due to other funds.	-	6,750	6,750
Increase in compensated absences payable	112	-	112
Decrease in due to other governments.	(55)	-	(55)
Increase in pension obligation payable	1,901	-	1,901
	(44,475)	-	(44,475)
Net cash used in operating activities			

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

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**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Buckeye Central Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and the privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 577th largest by total enrollment among the 740 public and community school districts in the state and 6th largest in Crawford County. The District employed 56 certificated employees and 38 non-certificated employees who provide services to 702 students. Local school districts are supervised by the County Board of Education, a separate entity.

The District provides regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and nonprogrammed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

PUBLIC ENTITY RISK POOLS

Wyandot Crawford Health Benefit Plan

The District is a member of the Wyandot Crawford Health Benefit Plan, which is a consortium established between the District, Galion City Schools, Carey Exempted Village Schools, Colonel Crawford Local Schools, and Upper Sandusky Exempted Village Schools to act as a common risk management and insurance program. Refer to Note 12 for further information on this insurance pool.

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

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12 for further information on this group rating plan.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts and educational service centers formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

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

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

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

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

PROPRIETARY FUNDS

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

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund, nonexpendable trust fund and an agency fund. The expendable trust fund is accounted for in the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. See Note 3.B. for an analysis of the agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, grants, interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities received during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows:

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control (state statute permits a temporary appropriation measure to be effective until no later than October 1 of each year). Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. Functional allocations are made by the Treasurer.
6. Formal budgetary integration is employed as a management control device during the year for all funds. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during 2003. The amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 13 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

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

During fiscal year 2003, investments were limited to State Treasury Asset Reserve (STAR Ohio) and non-negotiable certificates of deposit. Investments are stated at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$28,072, which includes \$10,996 assigned from other District funds.

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

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

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$150. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the related fixed assets, as applicable. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date donated. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of the interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Depreciation has been provided, where appropriate, on a straight-line basis.

<u>Asset</u>	<u>Life (years)</u>
Equipment	8 - 20

H. Compensated Absences

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

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder has been recorded in the general long-term obligations account group. In proprietary funds, the entire amount is reported as a fund liability.

I. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligation account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation expense on depreciable fixed assets is closed directly to the contributed capital account that was created when the resource was received. There was \$3,152 in capital contributions received by the enterprise funds in 2003. Contributed capital in the enterprise funds at June 30, 2003, is \$7,810.

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation, and principal endowment. Although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

See Note 5 for detail on the District's interfund transactions for fiscal 2003.

M. Estimates

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

N. Prepayments

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

O. Parochial School

Within the District boundaries is St. Bernards, which is operated through the Toledo Catholic Diocese. Current state legislation provides funding to this school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

P. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
EMIS	\$10
Title I	86
Improving Teacher Quality	31

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the EMIS, Title I, and Improving Teacher Quality special revenue funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficit fund balances will be eliminated by intergovernmental revenues and subsidies not recognized at June 30.

B. Agency Fund

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

<u>LIABILITIES</u>	
Due to other governments	\$165

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by eligible securities pledged by the financial institution as security for repayment.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

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

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

Cash on hand: At fiscal year-end, the District had \$80 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments and Reverse Repurchase Agreements".

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Deposits: At year-end, the carrying amount of the District's deposits was \$1,598,071 and the bank balance was \$1,678,051. These balances included \$1,372,608 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$137,283 was covered by federal depository insurance; and
2. \$1,540,768 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had investments of \$118,616 in STAR Ohio at June 30, 2003. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

A reconciliation between the classifications of equity in pooled cash and cash equivalents and investments on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,544,159	\$ 172,608
Investment in STAR Ohio	(118,616)	118,616
CD with maturity over 90 days	172,608	(172,608)
Cash on hand	<u>(80)</u>	<u>-</u>
GASB Statement No. 3	<u>\$1,598,071</u>	<u>\$ 118,616</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$375,000
<u>Capital Projects Funds</u>		
Permanent Improvements	<u>375,000</u>	<u>-</u>
Total	<u>\$375,000</u>	<u>\$375,000</u>

B. Interfund balances at June 30, 2003, consist of the following amounts due to and from other funds.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$6,750	\$ -
Nonexpendable Trust Fund	<u>-</u>	<u>6,750</u>
Total	<u>\$6,750</u>	<u>\$6,750</u>

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 6 - PROPERTY TAXES

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2003 taxes were collected was \$53,537,839. Agricultural/residential and public utility real estate represented \$42,847,800 or 80.03% of this total; commercial & industrial real estate represented \$3,755,430 or 7.01% of this total, public utility tangible represented \$3,215,630 or 6.01% of this total and general tangible property represented \$3,718,979 or 6.95% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$45 per \$1,000.00 of assessed valuation for operations.

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

The District receives property taxes from Richland, Crawford, Seneca and Huron Counties. The respective County Treasurers collect property taxes on behalf of the District. The respective County Auditors periodically remit to the District its portion of the taxes collected. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$474,638 was available to the District as an advance at June 30 and is recognized as revenue.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 6 - PROPERTY TAXES – (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The school district income tax (SDIT) is an income tax separate from federal, state, and city income taxes which is earmarked specifically to support school districts. Residents pay the tax through employer withholding, individual quarterly estimates, and annual returns which are remitted to the Ohio Department of Taxation.

Payments are made to the District through the Ohio Department of Taxation. The available money is distributed to the District on a quarterly basis with a summary report for March, June, September, and December. These quarterly reports contain the total gross collections, less refunds and 1.75% for administrative fees, and also include interest earned. The total available is usually sent to the District within a month of the end of the quarter.

The 1.5% SDIT was passed in November 1989, and collections began January 1, 1990. SDIT revenue received by the general fund during fiscal year 2003 was \$940,669.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts, accrued interest, amounts due from other funds, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Property taxes	\$1,556,030
School district income tax	359,766
Accrued interest	1,121
Accounts	171
Due from other funds	6,750

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 8 – RECEIVABLES – (Continued)

	<u>Amounts</u>
<u>Special Revenue Funds</u>	
Accounts	974
 <u>Enterprise Funds</u>	
Due from other governments	7,517
 <u>Nonexpendable Trust Fund</u>	
Accrued interest	142

NOTE 9 - FIXED ASSETS

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>
Land	\$ 56,734	\$ 47,682	\$ -	\$ 104,416
Buildings	5,150,288	1,413,330	-	6,563,618
Improvements other than buildings	90,490	-	-	90,490
Furniture/equipment	1,680,932	269,545	-	1,950,477
Vehicles	672,806	53,500	-	726,306
 Total	 \$7,651,250	 \$1,784,057	 \$ -	 \$9,435,307

There was no significant construction in progress at June 30, 2003.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 159,870
Less: accumulated depreciation	<u>(140,678)</u>
 Net fixed assets	 <u>\$ 19,192</u>

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 10 - CAPITAL LEASES

In previous years, the District entered into capitalized lease agreements for printing and reproduction equipment, and computer equipment. During fiscal year 2003, the District entered into a capital lease agreement for printing and reproduction equipment. The total amount of the lease agreement is accounted for on a GAAP basis as a capital outlay expenditure in the general fund with an offsetting amount reported as an other financing source.

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2003 fiscal year totaled \$25,810. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2004	\$ 27,076
2005	17,808
2006	17,808
2007	17,808
2008	<u>2,968</u>
Total minimum lease payments	83,468
Less: amount representing interest	<u>(11,276)</u>
Present value of minimum lease payments	<u>\$ 72,192</u>

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. Capital lease payments are paid from the general fund.

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
	<u>July 1, 2002</u>			<u>June 30, 2003</u>
Pension obligation payable	\$ 33,548	\$ 44,088	\$(33,548)	\$ 44,088
Compensated absences	194,214	44,838	-	239,052
Capital lease obligation	<u>24,599</u>	<u>73,403</u>	<u>(25,810)</u>	<u>72,192</u>
Total	<u>\$252,361</u>	<u>\$162,329</u>	<u>\$(59,358)</u>	<u>\$355,332</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$4,818,406 and an unvoted debt margin \$53,538.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is subject to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The District maintains property insurance with Lindsey Insurance for real property and building contents. Real property and contents are insured for \$22,902,132. General liability is protected by the Lindsey Insurance Company, with a \$2,000,000 annual aggregate/\$1,000,000 single occurrence limit and \$3,000,000 excess liability coverage. The bus fleet is also covered by Lindsey Insurance Company.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. There was no significant reduction in coverage from the prior year.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 12 - RISK MANAGEMENT – (Continued)

B. Employee Health Insurance

The District has joined together with Carey Exempted Village District, Colonel Crawford Local District, Galion City District, and Upper Sandusky Exempted Village District to form the Wyandot-Crawford Health Benefit Plan Trust Agreement (WCHBP), a public entity shared risk pool, operating as a common risk management and insurance program for the member Districts. The plan was organized to provide benefit coverage for employees, dependents and designated beneficiaries of such employees. The Huntington National Bank serves as trustee for the Wyandot-Crawford Health Benefit Plan Trust Agreement. The District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the District to WCHBP. The Agreement for formation of the WCHBP provides that the WCHBP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

C. Workers' Compensation

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

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$160,119	\$ 305	\$160,424
Operating expenses before depreciation	230,186	-	230,186
Depreciation	2,783	-	2,783
Operating income/(loss)	(72,850)	305	(72,545)
Operating grants	58,560	-	58,560
Federal commodities	18,133	-	18,133
Capital Contributions	3,152	-	3,152
Net income	7,620	305	7,925
Net working capital	22,178	1,220	23,398
Total assets	63,508	1,220	64,728
Total liabilities	44,793	-	44,793
Contributed capital	7,810	-	7,810
Total equity	18,715	1,220	19,935
Encumbrances at 6/30/03	1,573	-	1,573

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$97,241, \$79,734, and \$76,407, respectively; 47.28% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$51,264, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS – (Continued)

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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS – (Continued)

The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$351,105, \$293,282, and \$288,126, respectively; 81.71% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$64,228, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 15- POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$25,079 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

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

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 15- POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$50,410 during the 2003 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over/(Under) Expenditures and Other
Financing Uses**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$(100,027)	\$(83,302)	\$346,175
Net adjustment for revenue accruals	75,018	(10,069)	-
Net adjustment for expenditure accruals	(128,145)	8,361	6,194
Net adjustment for other financing sources/(uses)	33,948	-	-
Encumbrances (budget basis)	<u>115,247</u>	<u>43,212</u>	<u>-</u>
GAAP basis	<u>\$ (3,959)</u>	<u>\$(41,798)</u>	<u>\$352,369</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 17 – CONTINGENCIES – (Continued)

B. Litigation

The District is not currently a party to any legal proceedings.

C. State School Funding Decision

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

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

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

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ (92,751)	\$ -
Current year set-aside requirement	70,789	70,789
Current year offsets	-	-
Qualifying disbursements	<u>(103,267)</u>	<u>(70,975)</u>
Total	<u>\$(125,229)</u>	<u>\$ (186)</u>
Cash balance carried forward to FY 2004	<u>\$(125,229)</u>	<u>\$ -</u>

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

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**Auditor of State
Betty Montgomery**

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

Buckeye Central Local School District
Crawford County
P.O. Box 368
New Washington, Ohio 44854

To the Board of Education:

We have audited the general purpose financial statements of Buckeye Central Local School District, Crawford County, Ohio, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated October 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended for the information and use of the finance committee, management, and the Board of Education, 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

October 29, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

BUCKEYE CENTRAL LOCAL SCHOOL DISTRICT

CRAWFORD 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
DECEMBER 4, 2003**