

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

THERESA JOHNSON, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Bucyrus City School District
Bucyrus, Ohio

We have reviewed the *Independent Auditor's Report* of the Bucyrus City School District, Crawford County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bucyrus City School District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

January 18, 2006

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**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Bucyrus City School District
630 Jump Street
Bucyrus, Ohio 44820

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Bucyrus City School District, Crawford County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

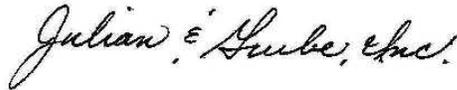
As disclosed in Note 3.A. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

Independent Auditor's Report
Bucyrus City School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management and discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Julian & Grube, Inc.
December 21, 2005

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$1,728,257 which represents a 28.79% increase from 2004.
- General revenues accounted for \$14,275,449 in revenue or 81.37% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,268,706 or 18.63% of total revenues of \$17,544,155.
- The District had \$15,815,898 in expenses related to governmental activities; only \$3,268,706 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,275,449 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,890,823 in revenues and \$13,023,389 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance increased \$867,434 from \$2,281,985 to \$3,149,419.

Using the Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-45 of this report.

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 10,368,470	\$ 8,309,292
Capital assets, net	<u>3,823,209</u>	<u>4,078,877</u>
Total assets	<u>14,191,679</u>	<u>12,388,169</u>
<u>Liabilities</u>		
Current liabilities	5,407,747	5,417,811
Long-term liabilities	<u>1,053,436</u>	<u>968,119</u>
Total liabilities	<u>6,461,183</u>	<u>6,385,930</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,789,293	4,034,396
Restricted	492,264	400,411
Unrestricted	<u>3,448,939</u>	<u>1,567,432</u>
Total net assets	<u>\$ 7,730,496</u>	<u>\$ 6,002,239</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$7,730,496. Of this total, \$3,448,939 is unrestricted in use.

At year-end, capital assets represented 26.94% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$3,789,293. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

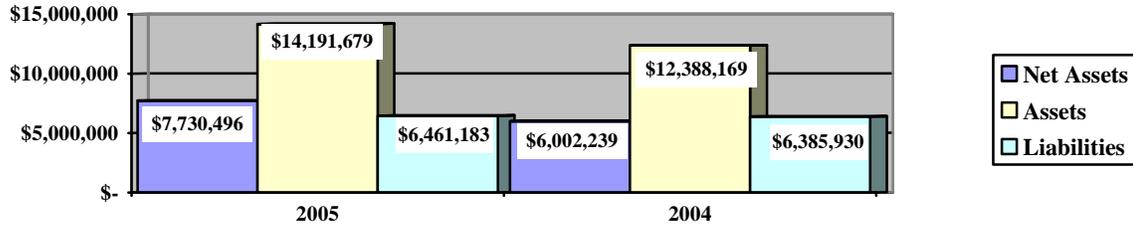
A portion of the District's net assets, \$492,264, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,448,939 may be used to meet the District's ongoing obligations to the students and creditors.

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The table below provides a summary of the District's net assets for 2005 and 2004.

Governmental Activities



The table below shows the change in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,252,087	\$ 1,282,383
Operating grants and contributions	2,016,619	1,942,154
Capital grants	-	65,156
General revenues:		
Property taxes	6,225,455	4,863,411
Grants and entitlements	7,897,069	7,421,242
Payment in lieu of taxes	3,938	-
Investment earnings	123,473	19,435
Miscellaneous	25,514	56,755
Total revenues	<u>17,544,155</u>	<u>15,650,536</u>

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Change in Net Assets

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,589,753	\$ 5,802,282
Special	1,826,958	1,796,603
Vocational	251,259	237,420
Other	935,029	749,255
Support services:		
Pupil	818,466	630,942
Instructional staff	823,629	854,282
Board of education	96,880	134,283
Administration	1,519,297	1,493,346
Fiscal	382,862	348,254
Business	98,194	139,929
Operations and maintenance	1,467,663	1,177,857
Pupil transportation	317,810	465,659
Central	222,709	206,891
Operation of non-instructional services:		
Non-instructional services	232,958	144,547
Food service operations	792,515	915,362
Extracurricular activities	435,147	554,172
Interest and fiscal charges	<u>4,769</u>	<u>5,958</u>
Total expenses	<u>15,815,898</u>	<u>15,657,042</u>
Change in net assets	1,728,257	(6,506)
Net assets at beginning of year	<u>6,002,239</u>	<u>6,008,745</u>
Net assets at end of year	<u>\$ 7,730,496</u>	<u>\$ 6,002,239</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,728,257. Total governmental expenses of \$15,815,898 were offset by program revenues of \$3,268,706 and general revenues of \$14,275,449. Program revenues supported 20.67% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent \$14,122,524 or 80.50% of total governmental revenue. Real estate property is reappraised every six years.

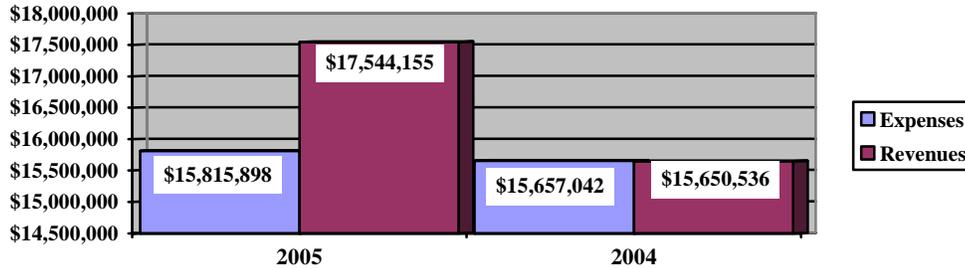
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,602,999 or 54.39% of total governmental expenses for fiscal 2005.

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

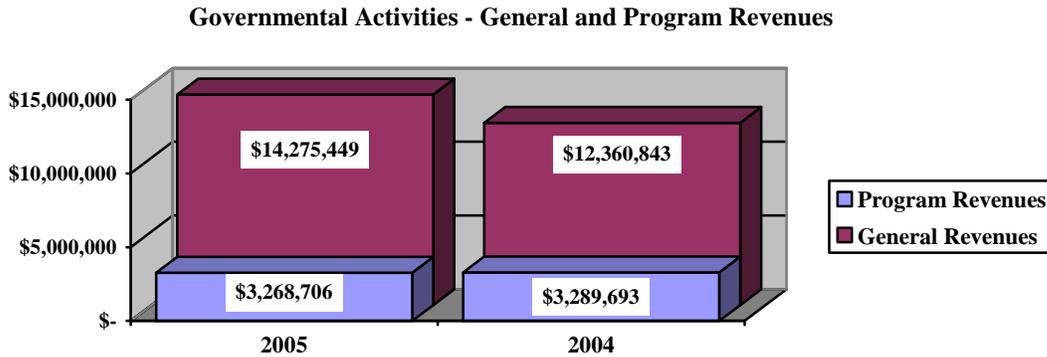
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 5,589,753	\$ 4,578,342	\$ 5,802,282	\$ 4,720,378
Special	1,826,958	1,245,765	1,796,603	1,356,810
Vocational	251,259	246,736	237,420	189,119
Other	935,029	935,029	749,255	749,255
Support services:				
Pupil	818,466	532,156	630,942	501,543
Instructional staff	823,629	637,268	854,282	668,297
Board of education	96,880	96,880	134,283	134,283
Administration	1,519,297	1,395,584	1,493,346	1,373,119
Fiscal	382,862	372,929	348,254	348,254
Business	98,194	77,091	139,929	99,139
Operations and maintenance	1,467,663	1,463,803	1,177,857	1,014,408
Pupil transportation	317,810	311,071	465,659	459,976
Central	222,709	182,075	206,891	144,639
Operations of non-instructional services:				
Non-instructional services	232,958	157,809	144,547	104,928
Food service operations	792,515	34,679	915,362	191,383
Extracurricular activities	435,147	275,206	554,172	305,860
Interest and fiscal charges	4,769	4,769	5,958	5,958
Total expenses	<u>\$ 15,815,898</u>	<u>\$ 12,547,192</u>	<u>\$ 15,657,042</u>	<u>\$ 12,367,349</u>

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The dependence upon tax and other general revenues for governmental activities is apparent, 81.44% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.33%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,441,948, which is higher than last year's total of \$2,537,564. The June 30, 2004 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	<u>Increase</u>
General	\$ 3,149,419	\$ 2,281,985	\$ 867,434
Other Governmental	<u>292,529</u>	<u>255,579</u>	<u>36,950</u>
Total	<u>\$ 3,441,948</u>	<u>\$ 2,537,564</u>	<u>\$ 904,384</u>

General Fund

The District's general fund balance increased \$867,434. The increase in fund balance can be attributed to increasing revenues and slightly decreasing expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase/ Decrease	Percentage Change
<u>Revenues</u>				
Taxes	\$ 5,143,491	\$ 4,993,006	\$ 150,485	3.01 %
Tuition	640,233	617,649	22,584	3.66 %
Earnings on investments	115,018	28,130	86,888	308.88 %
Intergovernmental	7,897,459	7,421,242	476,217	6.42 %
Other revenues	<u>94,622</u>	<u>154,159</u>	<u>(59,537)</u>	(38.62) %
Total	<u>\$ 13,890,823</u>	<u>\$ 13,214,186</u>	<u>\$ 676,637</u>	5.12 %
<u>Expenditures</u>				
Instruction	\$ 7,546,655	\$ 7,573,277	\$ (26,622)	(0.35) %
Support services	4,849,223	4,916,379	(67,156)	(1.37) %
Operation of non-instructional services	60,817	79,201	(18,384)	(23.21) %
Extracurricular activities	258,980	307,235	(48,255)	(15.71) %
Facilities Acquisition and Construction	142,380	-	142,380	100.00 %
Debt service	<u>15,334</u>	<u>15,334</u>	<u>-</u>	- %
Total	<u>\$ 12,873,389</u>	<u>\$ 12,891,426</u>	<u>\$ (18,037)</u>	(0.14) %

The most significant increase in general fund revenues occurred in investment earnings. This was due to increased interest rates and an increase in the District's investments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$13,361,442, which approximates the original budget estimate of \$13,395,385. Actual revenues and other financing sources for fiscal year 2005 were \$13,909,188. This represents a \$547,746 increase over final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,130,469 were increased to \$14,392,366 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$13,609,684, which was \$782,682 less than the final budget appropriations.

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$3,823,209 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to the balance of 2004:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 94,258	\$ 94,258
Land improvements	328,755	381,588
Building and improvements	2,938,470	3,083,763
Furniture and equipment	342,636	368,039
Vehicles	<u>119,090</u>	<u>151,229</u>
Total	<u>\$ 3,823,209</u>	<u>\$ 4,078,877</u>

The District acquired \$46,219 in capital assets during fiscal year 2005. The overall decrease in capital assets of \$255,668 is due to the recording of \$301,887 in depreciation expense for fiscal 2005.

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

Debt Administration

At June 30, 2005, the District had \$33,916 in capital lease obligations outstanding. Of this total, \$11,905 is due within one year and \$22,011 is due in greater than one year. The following table summarizes the capital lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2005</u>	<u>2004</u>
Capital lease obligations	<u>\$ 33,916</u>	<u>\$ 44,481</u>

At June 30, 2005, the District's overall legal debt margin was \$14,105,992 with an unvoted debt margin of \$156,581.

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

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

Current Financial Related Activities

The District faces many upcoming challenges. The District relies heavily on the state foundation, property tax receipts and grant entitlement. Since future entitlement revenue is expected to decrease along with tangible personnel property tax receipts, the District decided to place a permanent improvement issue on the March 2, 2005 ballot. This issue failed and was placed on the ballot again on the August 3, 2005 election of which failed. The District in its effort to attempt to capitalize as the House Bill 66 availability of a tax on earned income only has placed before taxpayers a (0.75% income tax on earned income) issue on the November 8, 2005 ballot. This issue is to cover future operating costs. This issue also failed.

The District has the possibility of Ohio School Facilities Commission monies available to them as it will be presented to the voters in the 2005/06 school year. The process of surveying and obtaining information from the community in its concerns and needs regarding the current and future facilities took place in May of 2005. The overall consensus of the community was to currently make necessary repairs to our facilities and to renovate and add to our current high school and middle school sites. The current middle school site would become an elementary (PK-5) and the High School would be a (6-12) building.

The largest challenges facing the District are to continue to provide the resources necessary to meet the student needs and to be able to stay within the five year forecast. State funding is strongly tied to your student enrollment and the Districts enrollment is steadily declining. The District has been proactive in its financial challenges in the past and will continue to do so with further reductions.

The five year forecast is utilized by the management in order to manage the District's resources to their fullest. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Theresa Johnson, Treasurer, Bucyrus City School District, 630 Jump Street, Bucyrus, Ohio 44820-1525.

**BASIC
FINANCIAL STATEMENTS**

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,738,883
Receivables:	
Taxes	6,313,137
Intergovernmental	269,985
Accrued interest	25,605
Prepayments	15,643
Materials and supplies inventory	5,217
Capital assets:	
Land	94,258
Depreciable capital assets, net	3,728,951
Total capital assets	3,823,209
 Total assets.	 14,191,679
 Liabilities:	
Accounts payable.	355,698
Accrued wages and benefits	1,426,230
Pension obligation payable.	329,509
Intergovernmental payable	57,844
Deferred revenue	3,238,466
Long-term liabilities:	
Due within one year.	279,262
Due in more than one year	774,174
 Total liabilities	 6,461,183
 Net Assets:	
Invested in capital assets, net of related debt.	3,789,293
Restricted for:	
Debt service.	13,740
Capital projects	689
Locally funded projects.	2,859
State funded projects	28,272
Federally funded projects.	49,197
Student activities	60,184
Other purposes	337,323
Unrestricted.	3,448,939
 Total net assets	 \$ 7,730,496

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,589,753	\$ 708,778	\$ 302,633	\$ (4,578,342)
Special	1,826,958	4,382	576,811	(1,245,765)
Vocational	251,259	-	4,523	(246,736)
Other	935,029	-	-	(935,029)
Support services:				
Pupil	818,466	29,665	256,645	(532,156)
Instructional staff	823,629	2,104	184,257	(637,268)
Board of education	96,880	-	-	(96,880)
Administration	1,519,297	56	123,657	(1,395,584)
Fiscal	382,862	714	9,219	(372,929)
Business	98,194	2,197	18,906	(77,091)
Operations and maintenance	1,467,663	280	3,580	(1,463,803)
Pupil transportation	317,810	435	6,304	(311,071)
Central	222,709	1,099	39,535	(182,075)
Operation of non-instructional services:				
Non-instructional services	232,958	284	74,865	(157,809)
Food service operations	792,515	342,152	415,684	(34,679)
Extracurricular activities	435,147	159,941	-	(275,206)
Interest and fiscal charges	4,769	-	-	(4,769)
Totals	\$ 15,815,898	\$ 1,252,087	\$ 2,016,619	(12,547,192)

General Revenues:

Property taxes levied for:	
General purposes	6,225,455
Grants and entitlements not restricted to specific programs	7,897,069
Payment in lieu of taxes	3,938
Investment earnings	123,473
Miscellaneous	25,514
Total general revenues	14,275,449
Change in net assets	1,728,257
Net assets at beginning of year	6,002,239
Net assets at end of year	\$ 7,730,496

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,818,606	\$ 593,954	\$ 3,412,560
Receivables:			
Taxes	6,313,137	-	6,313,137
Intergovernmental	-	269,985	269,985
Accrued interest	25,605	-	25,605
Interfund loans	269,984	-	269,984
Prepayments	14,809	834	15,643
Materials and supplies inventory	-	5,217	5,217
Restricted assets:			
Equity in pooled cash and cash equivalents	326,323	-	326,323
Total assets	<u>\$ 9,768,464</u>	<u>\$ 869,990</u>	<u>\$ 10,638,454</u>
Liabilities:			
Accounts payable	\$ 340,705	\$ 14,993	\$ 355,698
Accrued wages and benefits	1,232,602	193,628	1,426,230
Compensated absences payable	151,328	-	151,328
Pension obligation payable	260,283	69,226	329,509
Intergovernmental payable	48,847	8,997	57,844
Interfund loan payable	-	269,984	269,984
Deferred revenue	4,585,280	20,633	4,605,913
Total liabilities	<u>6,619,045</u>	<u>577,461</u>	<u>7,196,506</u>
Fund Balances:			
Reserved for encumbrances	509,465	84,185	593,650
Reserved for materials and supplies inventory	-	5,217	5,217
Reserved for property tax unavailable for appropriation	1,736,312	-	1,736,312
Reserved for prepayments	14,809	834	15,643
Reserved for debt service	-	13,740	13,740
Reserved for BWC refunds	69,721	-	69,721
Reserved for school bus purchase	66,506	-	66,506
Reserved for textbooks/instructional supplies	190,096	-	190,096
Unreserved, undesignated, reported in:			
General fund	562,510	-	562,510
Special revenue funds	-	187,864	187,864
Capital projects funds	-	689	689
Total fund balances	<u>3,149,419</u>	<u>292,529</u>	<u>3,441,948</u>
Total liabilities and fund balances	<u>\$ 9,768,464</u>	<u>\$ 869,990</u>	<u>\$ 10,638,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

Total governmental fund balances		\$	3,441,948
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,823,209
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	1,338,359	
Intergovernmental		20,633	
Interest revenue		<u>8,455</u>	
Total			1,367,447
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(868,192)	
Capital lease obligation		<u>(33,916)</u>	
Total			<u>(902,108)</u>
Net assets of governmental activities		\$	<u><u>7,730,496</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 5,143,491	\$ -	\$ 5,143,491
Tuition.	640,233	16,756	656,989
Charges for services.	-	341,892	341,892
Earnings on investments.	115,018	-	115,018
Extracurricular.	23,200	108,092	131,292
Classroom materials and fees.	41,970	-	41,970
Other local revenues	25,514	79,944	105,458
Payment in lieu of taxes.	3,938	-	3,938
Intergovernmental - intermediate.	390	-	390
Intergovernmental - state	7,814,998	617,761	8,432,759
Intergovernmental - federal.	82,071	1,422,764	1,504,835
Total revenues	<u>13,890,823</u>	<u>2,587,209</u>	<u>16,478,032</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,163,785	369,643	5,533,428
Special.	1,204,747	545,225	1,749,972
Vocational.	243,094	5,428	248,522
Other	935,029	-	935,029
Support Services:			
Pupil.	579,500	251,495	830,995
Instructional staff	653,340	184,241	837,581
Board of education	96,880	-	96,880
Administration.	1,375,143	114,011	1,489,154
Fiscal	370,899	8,948	379,847
Business	67,340	27,540	94,880
Operations and maintenance.	1,255,039	7,139	1,262,178
Pupil transportation	281,857	5,357	287,214
Central.	169,225	53,471	222,696
Operation of non-instructional services:			
Non-instructional services	60,817	169,500	230,317
Food service operations	-	800,476	800,476
Extracurricular activities.	258,980	157,785	416,765
Facilities acquisition and construction	142,380	-	142,380
Debt service:			
Principal retirement	10,565	-	10,565
Interest and fiscal charges	4,769	-	4,769
Total expenditures	<u>12,873,389</u>	<u>2,700,259</u>	<u>15,573,648</u>
Excess of revenues over (under) expenditures.	<u>1,017,434</u>	<u>(113,050)</u>	<u>904,384</u>
Other financing sources (uses):			
Transfers in.	-	150,000	150,000
Transfers (out)	(150,000)	-	(150,000)
Total other financing sources (uses).	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances.	867,434	36,950	904,384
Fund balances			
at beginning of year (restated)	2,281,985	255,579	2,537,564
Fund balances at end of year	<u>\$ 3,149,419</u>	<u>\$ 292,529</u>	<u>\$ 3,441,948</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

Net change in fund balances - total governmental funds \$ 904,384

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

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

Capital asset additions	\$ 46,219	
Current year depreciation	<u>(301,887)</u>	
 Total		 (255,668)

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

Delinquent property taxes	1,081,964	
Intergovernmental	(24,296)	
Accrued interest	<u>8,455</u>	
 Total		 1,066,123

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. 10,565

Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		<u>2,853</u>
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Change in net assets of governmental activities \$ 1,728,257

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,775,906	\$ 4,936,332	\$ 4,945,141	\$ 8,809
Tuition.	618,323	623,100	640,233	17,133
Earnings on investments.	76,206	50,000	78,906	28,906
Extracurricular	22,406	20,000	23,200	3,200
Classroom materials and fees	40,534	38,000	41,970	3,970
Other local revenues.	22,839	32,200	23,648	(8,552)
Other revenues	4,180	3,938	4,328	390
Intergovernmental - state	7,547,552	7,416,663	7,814,998	398,335
Intergovernmental - federal	96,230	50,000	99,640	49,640
Total revenues.	<u>13,204,176</u>	<u>13,170,233</u>	<u>13,672,064</u>	<u>501,831</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,484,065	5,409,887	5,153,457	256,430
Special.	1,307,271	1,302,135	1,228,462	73,673
Vocational.	256,184	201,463	240,740	(39,277)
Other	1,015,882	787,990	954,639	(166,649)
Support Services:				
Pupil.	601,638	666,767	565,368	101,399
Instructional staff	682,184	651,653	641,058	10,595
Board of education	131,640	164,157	123,704	40,453
Administration.	1,464,606	1,460,157	1,376,312	83,845
Fiscal	392,109	402,960	368,471	34,489
Business	85,918	536,475	80,738	455,737
Operations and maintenance.	1,225,982	1,267,048	1,152,073	114,975
Pupil transportation	356,966	432,486	335,446	97,040
Central.	217,326	180,930	204,224	(23,294)
Non-instructional services	64,719	85,500	60,817	24,683
Extracurricular activities.	274,068	289,649	257,546	32,103
Facilities acquisitions and construction	278,702	261,900	261,900	-
Total expenditures	<u>13,839,260</u>	<u>14,101,157</u>	<u>13,004,955</u>	<u>1,096,202</u>
Excess of revenues over (under) expenditures.	<u>(635,084)</u>	<u>(930,924)</u>	<u>667,109</u>	<u>1,598,033</u>
Other financing sources (uses):				
Refund of prior year expenditure	-	-	2,394	2,394
Refund of prior year receipts	-	-	(15)	(15)
Transfers in	191,209	191,209	176,730	(14,479)
Transfers (out)	(191,209)	(191,209)	(326,730)	(135,521)
Advances in.	-	-	58,000	58,000
Advances (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(277,984)</u>	<u>(177,984)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(367,605)</u>	<u>(267,605)</u>
Net change in fund balance	(735,084)	(1,030,924)	299,504	1,330,428
Fund balance at beginning of year	1,919,626	1,919,626	1,919,626	-
Prior year encumbrances appropriated	370,134	370,134	370,134	-
Fund balance at end of year	<u>\$ 1,554,676</u>	<u>\$ 1,258,836</u>	<u>\$ 2,589,264</u>	<u>\$ 1,330,428</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 6,253	\$ 20,373
Total assets	<u>6,253</u>	<u>20,373</u>
Liabilities:		
Due to students	-	\$ 20,373
Total liabilities	<u>-</u>	<u>20,373</u>
Net Assets:		
Held in trust for scholarships	<u>6,253</u>	
Total net assets	<u>\$ 6,253</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 3,828
Total additions.	3,828
Deductions:	
Scholarships awarded	4,000
Change in net assets	(172)
Net assets at beginning of year.	6,425
Net assets at end of year	\$ 6,253

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Bucyrus City School District (the "District") is located in central Crawford County in north central Ohio, approximately 65 miles north of Columbus. The District operates under a locally-elected, five-member Board form of government, and provides educational services as mandated by state and/or federal statute and regulations.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 306th largest by enrollment among the 614 public school districts in the state. It currently operates 5 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 80 non-certified and 149 certified employees to provide services to approximately 1,849 students in grades K through 12, and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

JOINTLY GOVERNED ORGANIZATIONS

Pioneer Career and Technical Center (PCTC)

The District and other member districts may send students to PCTC on a non-tuition basis for vocational education programs, but none of the member districts retain an ongoing financial interest in PCTC.

JOINT VENTURE WITHOUT EQUITY INTEREST

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group 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 GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

GROUP PURCHASING COOPERATIVE

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program: custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program through which members save significant amounts on natural gas purchases.

B. Fund Accounting

The 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.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 is the District's major governmental fund:

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

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

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. The District has no proprietary funds.

FIDUCIARY FUNDS

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

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

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations 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 prior to June 30, 2005. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 basic financial statements.

During fiscal year 2005, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Under existing Ohio statutes all investment earning 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 year 2005 amounted to \$115,018, which includes \$21,035 assigned from other District funds.

For presentation on the basic financial statements, 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.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

G. Inventory

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 - 25 years
Building and improvements	6 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

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

J. Compensated Absences

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

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 50 or greater with at least 10 years of service; or 20 years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments have 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 entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes unavailable for appropriation, materials and supplies, prepayments, debt service, Bureau of Workers' Compensation (BWC) refunds, school bus purchases, and textbooks/instructional materials. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes, consist of monies restricted for BWC refunds, restricted for textbooks/instructional materials and bus purchases (See Note 17).

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for Bureau of Workers' Compensation (BWC) refunds and to create a reserve for textbooks/instructional materials and school bus purchases. See Note 17 for details.

Q. 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 basic financial statements.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

R. Parochial Schools

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

S. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 2,365,917	\$ 287,226	\$ 2,653,143
GASB Technical Bulletin No. 2004-2	<u>(83,932)</u>	<u>(31,647)</u>	<u>(115,579)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 2,281,985</u>	<u>\$ 255,579</u>	<u>\$ 2,537,564</u>

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

<u>Nonmajor Funds</u>	<u>Deficit</u>
Disadvantaged Pupil Impact Aid	\$ 9,907
Title II - Improving Teacher Quality	2,266
Special Enterprises	41

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$1,606,314, exclusive of the \$1,932,108 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$1,407,293 of the District's bank balance of \$1,807,293 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

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

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 1,932,108	\$ 1,932,108
STAR Ohio	<u>227,087</u>	<u>227,087</u>
	<u>\$ 2,159,195</u>	<u>\$ 2,159,195</u>

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 1,932,108	89.48
STAR Ohio	<u>227,087</u>	<u>10.52</u>
	<u>\$ 2,159,195</u>	<u>100.00</u>

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

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

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 1,606,314
Investments	<u>2,159,195</u>
Total	<u>\$ 3,765,509</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,738,883
Private-purpose trust funds	6,253
Agency funds	<u>20,373</u>
Total	<u>\$ 3,765,509</u>

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 269,984

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the statement of net assets.

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

Transfers to Nonmajor Governmental funds from:		
General Fund		\$ 150,000

All transfers made in fiscal year 2005 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Crawford County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$1,736,312 in the general fund. The amount available as an advance at June 30, 2004, was \$1,537,965.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 126,108,530	79.51	\$ 126,579,530	80.81
Public utility personal	6,934,980	4.37	7,006,800	4.47
Tangible personal property	<u>25,572,948</u>	<u>16.12</u>	<u>23,043,583</u>	<u>14.72</u>
Total	<u>\$ 158,616,458</u>	<u>100.00</u>	<u>\$ 156,629,913</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 49.25		 \$ 49.60	

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - RECEIVABLES

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

Governmental Activities

Taxes	\$ 6,313,137
Intergovernmental	269,985
Accrued interest	<u>25,605</u>
Total	<u>\$ 6,608,727</u>

Receivables have been disaggregated on the face of the basic financial statements.

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 94,258	\$ -	\$ -	\$ 94,258
Total capital assets, not being depreciated	<u>94,258</u>	<u>-</u>	<u>-</u>	<u>94,258</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,084,994	-	-	1,084,994
Building and improvements	7,261,189	-	-	7,261,189
Furniture and equipment	734,015	46,219	-	780,234
Vehicles	<u>694,322</u>	<u>-</u>	<u>-</u>	<u>694,322</u>
Total capital assets, being depreciated	<u>9,774,520</u>	<u>46,219</u>	<u>-</u>	<u>9,820,739</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(703,406)	(52,833)	-	(756,239)
Building and improvements	(4,177,426)	(145,293)	-	(4,322,719)
Furniture and equipment	(365,976)	(71,622)	-	(437,598)
Vehicles	<u>(543,093)</u>	<u>(32,139)</u>	<u>-</u>	<u>(575,232)</u>
Total accumulated depreciation	<u>(5,789,901)</u>	<u>(301,887)</u>	<u>-</u>	<u>(6,091,788)</u>
Governmental activities capital assets, net	<u>\$ 4,078,877</u>	<u>\$ (255,668)</u>	<u>\$ -</u>	<u>\$ 3,823,209</u>

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 103,941
Special	21,803
Vocational	2,072
<u>Support Services:</u>	
Pupil	5,338
Instructional staff	9,608
Administration	21,371
Business	3,314
Operations and maintenance	69,422
Pupil transportation	28,524
Non-instructional services	2,340
Extracurricular activities	22,849
Food service operation	<u>11,305</u>
Total depreciation expense	<u>\$ 301,887</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capitalized lease agreement for the acquisition of copier equipment.

This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of office equipment have been capitalized in the amount of \$57,455. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$10,565 in the general fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Copier</u>
2006	\$ 15,334
2007	15,334
2008	<u>8,945</u>
Total minimum lease payments	39,613
Less: amount representing interest	<u>(5,697)</u>
Total	<u>\$ 33,916</u>

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 923,638	\$ 294,517	\$ (198,635)	\$ 1,019,520	\$ 267,357
Capital lease obligation	<u>44,481</u>	<u>-</u>	<u>(10,565)</u>	<u>33,916</u>	<u>11,905</u>
Total governmental activities	<u>\$ 968,119</u>	<u>\$ 294,517</u>	<u>\$ (209,200)</u>	<u>\$ 1,053,436</u>	<u>\$ 279,262</u>

Compensated absences will be paid from the fund from which the employee's salaries are paid.

Capital lease payments will be made from the general fund. See Note 9 for details.

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, 2005 are a voted debt margin of \$14,105,992 (including available funds of \$13,740) and an unvoted debt margin of \$156,581.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, classified employees receive thirty percent of the total sick leave accumulation. Certified employees receive payment based on their balance, between fifty and sixty-five days for balances between 100 and 235 days; employees with less than 100 days receive thirty percent of their balance. An employee receiving such payment must meet the retirement provisions set by School Teachers Retirement System of Ohio (STRS) or School Employees Retirement System of Ohio (SERS).

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$30,000 to full-time teachers.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - OTHER EMPLOYEE BENEFITS

C. Retirement Incentive

The District offers a one-time retirement bonus in the amount of \$10,000 to all certified employees who provide the District with their notice of retirement by March 1 and complete the balance of the school year. The retirement bonus is payable upon completion of service through the last work day of the school year. The District had no retirement incentive payable at June 30, 2005.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2005, the District has purchased property and casualty insurance from the Cincinnati Insurance Company; the policy's coverage maximum is \$42,653,968. General liability insurance, purchased from Hartford Insurance Company, carries a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. District-owned vehicle insurance is provided by Motorists Insurance Company, with a \$2,000,000 single occurrence limit.

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.

B. Group Health and Dental Insurance

Health, life, dental and other group insurance is offered to employees as a fringe benefit. Employer and employee contributions to premium are determined by negotiated agreements with employee labor unions (currently, single and family coverage is 95% Board-paid and 5% employee-paid).

While all benefit plans are traditionally-funded through common carriers, the Board's group health plan contains provisions for discounted amounts to be remitted to the carrier during the year (90% of the carrier-established premium for fiscal year 2005), contingent upon the group's claims experience for the year. While the District has not retained risk for any claims, should the group's claim costs for the year exceed the threshold of the discounted amount remitted to the carrier during the year, the District must remit additional premium, to a maximum of the difference between the discounted premium and the full premium.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

C. OSBA Group Workers' Compensation Rating Plan

For fiscal year 2005, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (the "GRP"), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The 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 the 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.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

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 13 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The adequacy of the contribution rates is determined annually. The District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$254,773, \$259,150 and \$257,842 respectively; 43% has been contributed for fiscal year 2005, and 100% for fiscal years 2004 and 2003. \$145,212 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

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

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLAN - (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. 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 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$937,765, \$935,768, and \$917,395, respectively; 84% has been contributed for fiscal year 2005, and 100% for the fiscal years 2004 and 2003. \$153,712 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$1,015 made by the District and \$9,130 made by plan members.

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, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$66,983 during fiscal 2005.

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

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

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

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$90,118 during the 2005 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 299,504
Net adjustment for revenue accruals	218,759
Net adjustment for expenditure accruals	(424,099)
Net adjustment for other sources/uses	217,605
Adjustment for encumbrances	<u>555,665</u>
GAAP basis	<u>\$ 867,434</u>

NOTE 16 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District’s management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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.

BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 17 - STATUTORY RESERVES

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

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside cash balance as of June 30, 2004	\$ 142,513	\$ 38,141	\$ 69,721
Current year set-aside requirement	254,207	254,207	-
Qualifying disbursements	<u>(206,624)</u>	<u>(917,212)</u>	<u>-</u>
Total	<u>\$ 190,096</u>	<u>\$ (624,864)</u>	<u>\$ 69,721</u>
Balance carried forward to FY 2006	<u>\$ 190,096</u>	<u>\$ -</u>	<u>\$ 69,721</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the textbook reserve. Qualifying expenditures for capital acquisition exceeded the required set-aside amount however the negative amount may not be carried forward to future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

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

Amount restricted for BWC refunds	\$ 69,721
Amount restricted for textbooks/ instructional materials	190,096
Amount restricted for school bus purchases	<u>66,506</u>
Total restricted assets	<u>\$ 326,323</u>

SUPPLEMENTAL DATA

BUCYRUS CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(C) Food Donation	10.550	N/A	\$ -	\$ 8,828	\$ -	\$ 8,828
(A),(D) School Breakfast Program	10.553	043687-05PU-2004	23,240	-	23,240	-
(A),(D) School Breakfast Program	10.553	043687-05PU-2005	75,776	-	75,776	-
(A),(D) National School Lunch Program	10.555	043687-LLP1-2004	237	-	237	-
(A),(D) National School Lunch Program	10.555	043687-LLP1-2005	1,862	-	1,862	-
(A),(D) National School Lunch Program	10.555	043687-LLP4-2004	64,761	-	64,761	-
(A),(D) National School Lunch Program	10.555	043687-LLP4-2005	232,279	-	232,279	-
(A),(D) Summer Food Service Program for Children	10.559	043687-23PU-2005	6,000	-	6,000	-
(A),(D) Summer Food Service Program for Children	10.559	043687-24PU-2005	327	-	327	-
Total U.S. Department of Agriculture and Nutrition Cluster			404,482	8,828	404,482	8,828
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	043687-C1S1-2004	50,962	-	78,318	-
Title I Grants to Local Educational Agencies	84.010	043687-C1S1-2005	348,404	-	337,839	-
Total Title I Grants to Local Educational Agencies			399,366	-	416,157	-
Special Education Cluster:						
(B) Special Education - Grants to States	84.027	043687-6BSF-2004	-	-	56,967	-
(B) Special Education - Grants to States	84.027	043687-6BSF-2005	318,578	-	359,014	-
Special Education - Grants to States			318,578	-	415,981	-
(B) Special Education - Preschool Grants	84.173	043687-PGS1-2004	9,239	-	9,239	-
Total Special Education Cluster			327,817	-	425,220	-
Safe and Drug-Free Schools and Communities State Grants	84.186	043687-DRS1-2005	8,469	-	12,098	-
Fund for the Improvement of Education	84.215	Q215F050095	52,429	-	55,496	-
Twenty-First Century Community Learning Centers	84.287	043687-T1S1-2005	244,705	-	246,947	-
State Grants for Innovative Programs	84.298	043687-C2S1-2004	-	-	705	-
State Grants for Innovative Programs	84.298	043687-C2S1-2005	8,337	-	6,663	-
Total State Grants for Innovative Programs			8,337	-	7,368	-
Education Technology State Grants	84.318	043687-TJS1-2004	-	-	3,681	-
Education Technology State Grants	84.318	043687-TJS1-2005	9,077	-	10,483	-
Total Education Technology State Grants			9,077	-	14,164	-
Improving Teacher Quality State Grants	84.367	043687-TRS1-2004	-	-	25,638	-
Improving Teacher Quality State Grants	84.367	043687-TRS1-2005	112,508	-	102,721	-
Total Improving Teacher Quality State Grants			112,508	-	128,359	-
Total U.S. Department of Education			1,162,708	-	1,305,809	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
State Children's Insurance Program	93.767	N/A	6,461	-	6,461	-
Medical Assistance Program	93.778	N/A	93,179	-	93,179	-
Total U.S. Department of Health and Human Services			99,640	-	99,640	-
Total Federal Financial Assistance			\$ 1,666,830	\$ 8,828	\$ 1,809,931	\$ 8,828

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) This schedule was prepared on the cash basis of accounting.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Accounting Standards***

Board of Education
Bucyrus City School District
630 Jump Street
Bucyrus, Ohio 44820

We have audited the financial statements of the governmental activities, its major fund, and the remaining aggregate fund information of the Bucyrus City School District (the "District") as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2005. As disclosed in Note 3.A. the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 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.

Board of Education
Bucyrus City School District

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education and management of the Bucyrus City School District, 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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2005



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**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Education
Bucyrus City School District
630 Jump Street
Bucyrus, Ohio 44820

Compliance

We have audited the compliance of the Bucyrus City School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. As disclosed in Note 3.A. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. The Bucyrus City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Bucyrus City School District's management. Our responsibility is to express an opinion on the Bucyrus City School 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bucyrus City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bucyrus City School District's compliance with those requirements.

Board of Education
Bucyrus City School District

In our opinion, Bucyrus City School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005.

Internal Control Over Compliance

The management of Bucyrus City School District 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 Bucyrus City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Education of Bucyrus City School District, 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.



Julian & Grube, Inc.
December 21, 2005

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

**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 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:	Special Education – Grants to State: CFDA #84.027; Special Education – Preschool Grants: CFDA #84.173 and Twenty-First Century Community Learning Centers: CFDA #84.287
<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

**BUCYRUS CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

BUCYRUS CITY 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
FEBRUARY 9, 2006**