



Mary Taylor, CPA  
Auditor of State



**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Local School District  
Jefferson County  
6899 State Route 150  
P.O. Box 300  
Dillonvale, Ohio 43917

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Buckeye Local School District, Jefferson County, Ohio as of June 30, 2006, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 17, 2007

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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The discussion and analysis of the Buckeye Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2006 are as follows:

- Net assets of governmental activities increased \$246,061.
- General revenues accounted for \$15,693,224 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$4,761,121 or 23 percent of total revenues of \$20,454,345.
- Total assets of governmental activities decreased \$913,498 primarily due to a decrease in equity in pooled cash and cash equivalents and the a decrease in receivables due to the reduction of personal property taxes as well as annual depreciation expense that reduced capital assets.
- The School District had \$20,208,284 in expenses related to governmental activities; only \$4,761,121 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$15,693,224 were adequate to provide for these programs.
- The general fund, one of the major funds, had \$16,149,317 in revenues and \$16,563,071 in expenditures. Overall, the general fund's balance decreased \$447,418.
- The debt service fund, the other major fund, had \$921,018 in revenues and \$941,085 in expenditures. Overall, the debt service fund balance increased \$13,597.

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

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

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

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

*Fund Financial Statements*

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

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

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

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

	<b>Governmental Activities</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$9,744,586	\$10,420,694	(\$676,108)
Capital Assets	11,149,944	11,387,334	(237,390)
<b>Total Assets</b>	<b>20,894,530</b>	<b>21,808,028</b>	<b>(913,498)</b>
<b>Liabilities</b>			
Long-Term Liabilities	6,334,732	6,916,322	(581,590)
Other Liabilities	8,053,932	8,631,901	(577,969)
<b>Total Liabilities</b>	<b>14,388,664</b>	<b>15,548,223</b>	<b>(1,159,559)</b>
<b>Net Assets</b>			
Invested in Capital Assets	7,893,081	7,850,546	42,535
Restricted	1,364,002	1,321,972	42,030
Unrestricted (Deficit)	(2,751,217)	(2,912,713)	161,496
<b>Total Net Assets</b>	<b>\$6,505,866</b>	<b>\$6,259,805</b>	<b>\$246,061</b>

Total assets decreased \$913,498. Current assets decreased by \$676,108 primarily due to a decrease in cash and cash equivalents from the first payment on the special termination benefits payable and the decrease in taxes receivable resulting from the reduction of personal property taxes. The decrease in capital assets was due to depreciation expense recorded for fiscal year 2006.

Total liabilities decreased \$1,159,559, largely due to a decrease in accrued wages and benefits and special termination benefits payable resulting from the 13 teachers who participated in the special termination package, the first payment of the special termination benefit, as well as the payment of debt that reduced long-term liabilities.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2006 compared to fiscal year 2005.

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

	<b>Governmental Activities</b>		<b>Change</b>
	<b>2006</b>	<b>2005</b>	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$922,001	\$889,514	\$32,487
Operating Grants and Contributions	3,764,669	3,930,241	(165,572)
Capital Grants and Contributions	74,451	39,519	34,932
<b>Total Program Revenues</b>	<b>4,761,121</b>	<b>4,859,274</b>	<b>(98,153)</b>
General Revenues			
Property Taxes	6,025,912	6,566,379	(540,467)
Grants and Entitlements not Restricted to Specific Programs	9,519,477	9,233,545	285,932
Others	147,835	58,245	89,590
<b>Total General Revenues</b>	<b>15,693,224</b>	<b>15,858,169</b>	<b>(164,945)</b>
<b>Total Revenues</b>	<b>20,454,345</b>	<b>20,717,443</b>	<b>(263,098)</b>
<b>Program Expenses</b>			
Instruction			
Regular	8,520,809	8,810,569	(289,760)
Special	2,302,154	2,308,356	(6,202)
Vocational	730,770	800,602	(69,832)
Support Services			
Pupil	461,167	367,883	93,284
Instructional Staff	438,540	533,301	(94,761)
Board of Education	49,050	56,822	(7,772)
Administration	1,691,907	1,667,672	24,235
Fiscal	427,474	416,654	10,820
Business	44,131	60,806	(16,675)
Operation and Maintenance of Plant	2,325,384	2,043,119	282,265
Pupil Transportation	1,625,075	1,494,093	130,982
Central	0	2,461	(2,461)
Operation of Non-Instructional Services	14,866	4,250	10,616
Food Service Operations	811,842	850,160	(38,318)
Extracurricular Activities	397,967	359,622	38,345
Interest and Fiscal Charges	367,148	445,856	(78,708)
<b>Total Expenses</b>	<b>20,208,284</b>	<b>20,222,226</b>	<b>(13,942)</b>
<b>Increase in Net Assets</b>	<b>246,061</b>	<b>495,217</b>	<b>(249,156)</b>
Net Assets Beginning of Year	6,259,805	5,764,588	495,217
<b>Net Assets End of Year</b>	<b>\$6,505,866</b>	<b>\$6,259,805</b>	<b>\$6,259,805</b>

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

In 2006, 29 percent of the School District's revenues were from property taxes and 47 percent were from unrestricted grants and entitlements. Property taxes had a significant decrease from the prior year primarily due to the change in the amount available as an advance on the August tax settlement from prior years. Unrestricted grants and entitlements increased by \$285,932 due primarily to federal and state programs increases.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 74 percent is for regular instruction, 19 percent for special instruction, and 7 percent for vocational instruction. Instructional program expenses decreased by \$365,794 from the prior year due to decreased salary and benefits costs from decreased employees resulting from the special termination benefits package offered to employees during fiscal year 2005.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2006 compared to fiscal year 2005. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Instruction				
Regular	\$8,520,809	\$8,810,569	\$7,145,733	\$7,414,860
Special	2,302,154	2,308,356	740,771	602,231
Vocational	730,770	800,602	502,874	687,291
Support Services				
Pupil	461,167	367,883	344,220	234,135
Instructional Staff	438,540	533,301	256,081	234,862
Board of Education	49,050	56,822	49,050	56,822
Administration	1,691,907	1,667,672	1,543,321	1,536,724
Fiscal	427,474	416,654	427,474	416,654
Business	44,131	60,806	44,131	8,777
Operation and Maintenance of Plant	2,325,384	2,043,119	2,221,690	1,921,629
Pupil Transportation	1,625,075	1,494,093	1,520,685	1,422,583
Central	0	2,461	0	256
Operation of Non-Instructional Services	14,866	4,250	14,344	271
Food Service Operations	811,842	850,160	(22,851)	120,738
Extracurricular Activities	397,967	359,622	292,492	259,263
Interest and Fiscal Charges	367,148	445,856	367,148	445,856
<b>Total Expenses</b>	<b>\$20,208,284</b>	<b>\$20,222,226</b>	<b>\$15,447,163</b>	<b>\$15,362,952</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 77 percent of expenses are supported through taxes and other general revenues.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$16,149,317 and expenditures of \$16,563,071. Overall, including other financing sources and uses, the School District's general fund balance decreased \$447,418 during fiscal year 2006. The debt service fund had total revenues of \$921,018 and expenditures of \$941,085. Overall, including other financing sources and uses, the School District's debt service fund balance increased \$13,597 during fiscal year 2006.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were significant changes between the original and final budgeted appropriations resulting from the original appropriations amount for regular instruction costs being higher than the final as the School District over estimated the cost by not reflecting the decrease resulting from the 13 teachers participating in a special termination benefits package and from the District over estimating the cost of pupil transportation and operation of plant costs due to the rising fuel costs.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2006, the School District had \$11,149,944 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2006, the School District had \$4,706,138 in bonds and capital leases outstanding, including premiums, refunding differences, and accretion. See Note 15 for more detailed information on the School District's debt.

***Economic Factors***

A special termination benefit package was offered to employees through Educators Preferred Corporation. The package was offered to employees with at least 10 years of service with Buckeye Local School District. Eleven teachers eligible to retire participated. Two teachers with 10 or more years of service also participated. The District will pay the incentive to EPC who will distribute the payments to the retirees. The School District will pay EPC \$709,153 in total that will be paid over fiscal years 2006 and 2007. During fiscal year 2006, \$349,578 was paid, leaving an outstanding balance at June 30, 2006 of \$359,575 which was paid August 28, 2006 and is recorded as a liability in the General Fund.

**Buckeye Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited

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Salary increases for the District during fiscal year 2006 included a 4 percent increase on the base salary for teachers and administrators and OAPSE employees received an additional 30 cents per hour.

During fiscal year 2006, nine teachers and two OAPSE employees retired.

In April, 2005, the District implemented a point of sale system in the high school cafeteria. This was done to provide confidentiality to students on free and reduced lunch in hopes that they would purchase a lunch that the District could claim for reimbursement. The point of sale system increased reimbursed lunches by \$10,000 from fiscal year 2005 to fiscal year 2006. The cafeteria is still experiencing financial shortcomings due to the large amount of ala carte items sold. For fiscal year 2007, sales of main entrée or side dish ala carte items have been eliminated. Students must purchase a lunch to receive these items. Also, breakfast and lunch prices have been increased for fiscal year 2007.

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

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

**Buckeye Local School District**  
*Statement of Net Assets*  
*June 30, 2006*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,948,336
Intergovernmental Receivable	61,214
Prepaid Items	28,327
Materials and Supplies Inventory	99,032
Property Taxes Receivable	6,557,273
Deferred Charges	50,404
Non-Depreciable Capital Assets	579,049
Depreciable Capital Assets, Net	10,570,895
<i>Total Assets</i>	20,894,530
<b>Liabilities</b>	
Accounts Payable	31,308
Accrued Wages and Benefits Payable	1,338,241
Special Termination Benefits Payable	359,575
Matured Severance Payable	78,514
Intergovernmental Payable	472,979
Accrued Interest Payable	3,615
Deferred Revenue	5,769,700
Long-Term Liabilities:	
Due Within One Year	965,962
Due In More Than One Year	5,368,770
<i>Total Liabilities</i>	14,388,664
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,893,081
Restricted for Debt Service	1,248,041
Restricted for Budget Stabilization	115,961
Unrestricted (Deficit)	(2,751,217)
<i>Total Net Assets</i>	\$6,505,866

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$8,520,809	\$463,302	\$911,774	\$0	(\$7,145,733)
Special	2,302,154	0	1,561,383	0	(740,771)
Vocational	730,770	6,722	221,174	0	(502,874)
Support Services:					
Pupil	461,167	0	116,947	0	(344,220)
Instructional Staff	438,540	0	182,459	0	(256,081)
Board of Education	49,050	0	0	0	(49,050)
Administration	1,691,907	0	148,586	0	(1,543,321)
Fiscal	427,474	0	0	0	(427,474)
Business	44,131	0	0	0	(44,131)
Operation and Maintenance of Plant	2,325,384	8,440	95,254	0	(2,221,690)
Pupil Transportation	1,625,075	0	29,939	74,451	(1,520,685)
Operation of Non-Instructional Services	14,866	0	522	0	(14,344)
Food Service Operations	811,842	338,062	496,631	0	22,851
Extracurricular Activities	397,967	105,475	0	0	(292,492)
Interest and Fiscal Charges	367,148	0	0	0	(367,148)
<i>Total Governmental Activities</i>	<u>\$20,208,284</u>	<u>\$922,001</u>	<u>\$3,764,669</u>	<u>\$74,451</u>	<u>(\$15,447,163)</u>

**General Revenues**

Property Taxes Levied for General Purposes	5,363,003
Property Taxes Levied for Debt Service	662,909
Grants and Entitlements not Restricted to Specific Programs	9,519,477
Investment Earnings	60,895
Gifts and Donations	47,852
Miscellaneous	39,088
<i>Total General Revenues</i>	<u>15,693,224</u>
Change in Net Assets	246,061
<i>Net Assets Beginning of Year</i>	<u>6,259,805</u>
<i>Net Assets End of Year</i>	<u>\$6,505,866</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2006*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,405,295	\$1,256,775	\$170,305	\$2,832,375
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	115,961	0	0	115,961
Receivables:				
Property Taxes	5,842,946	714,327	0	6,557,273
Intergovernmental	0	0	61,214	61,214
Interfund	100,774	0	0	100,774
Prepaid Items	28,327	0	0	28,327
Materials and Supplies Inventory	91,227	0	7,805	99,032
	<u>\$7,584,530</u>	<u>\$1,971,102</u>	<u>\$239,324</u>	<u>\$9,794,956</u>
<i>Total Assets</i>				
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$30,262	\$0	\$1,046	\$31,308
Accrued Wages and Benefits	1,141,729	0	196,512	1,338,241
Matured Severance Payable	78,514	0	0	78,514
Special Termination Benefits Payable	359,575	0	0	359,575
Interfund Payable	0	0	100,774	100,774
Intergovernmental Payable	368,173	0	104,806	472,979
Deferred Revenue	5,605,699	679,657	21,978	6,307,334
	<u>7,583,952</u>	<u>679,657</u>	<u>425,116</u>	<u>8,688,725</u>
<i>Total Liabilities</i>				
<b>Fund Balances (Deficit)</b>				
Reserved for Encumbrances	1,758	0	35,345	37,103
Reserved for Property Taxes	237,247	34,670	0	271,917
Reserved for Budget Stabilization	115,961	0	0	115,961
Unreserved, Undesignated, Reported in:				
General Fund	(354,388)	0	0	(354,388)
Special Revenue Funds	0	0	(223,534)	(223,534)
Debt Service Fund	0	1,256,775	0	1,256,775
Capital Projects Funds	0	0	2,397	2,397
	<u>578</u>	<u>1,291,445</u>	<u>(185,792)</u>	<u>1,106,231</u>
<i>Total Fund Balances (Deficit)</i>				
<i>Total Liabilities and Fund Balances</i>	<u>\$7,584,530</u>	<u>\$1,971,102</u>	<u>\$239,324</u>	<u>\$9,794,956</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2006*

**Total Governmental Fund Balances** \$1,106,231

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

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 11,149,944

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

Grants	21,978
Property Taxes	<u>515,656</u>

Total 537,634

Unamortized issuance costs represent deferred charges which  
do not provide current financial resources and, therefore, are  
not reported in the funds. 50,404

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

General Obligation Bonds	4,575,138
Compensated Absences	1,628,594
Accrued Interest Payable	3,615
Capital Leases	<u>131,000</u>

Total (6,338,347)

*Net Assets of Governmental Activities* \$6,505,866

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$5,418,269	\$670,124	\$0	\$6,088,393
Intergovernmental	10,163,732	250,894	3,001,676	13,416,302
Interest	63,479	0	348	63,827
Tuition and Fees	470,024	0	8,440	478,464
Extracurricular Activities	0	0	105,475	105,475
Contributions and Donations	2,900	0	44,952	47,852
Charges for Services	0	0	338,062	338,062
Miscellaneous	30,913	0	8,175	39,088
<i>Total Revenues</i>	<u>16,149,317</u>	<u>921,018</u>	<u>3,507,128</u>	<u>20,577,463</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,695,117	0	955,669	8,650,786
Special	1,344,284	0	923,234	2,267,518
Vocational	730,439	0	0	730,439
Support Services:				
Pupil	323,933	0	129,484	453,417
Instructional Staff	207,842	0	184,671	392,513
Board of Education	49,050	0	0	49,050
Administration	1,476,852	0	156,500	1,633,352
Fiscal	407,518	17,008	0	424,526
Business	0	0	44,131	44,131
Operation and Maintenance of Plant	2,179,359	0	108,831	2,288,190
Pupil Transportation	1,748,416	0	94	1,748,510
Operation of Non-Instructional Services	14,365	0	501	14,866
Food Service Operations	0	0	800,756	800,756
Extracurricular Activities	300,057	0	93,833	393,890
Debt Service:				
Principal Retirement	77,143	219,751	0	296,894
Capital Appreciation Bonds Interest	0	643,049	0	643,049
Interest and Fiscal Charges	8,696	61,277	0	69,973
<i>Total Expenditures</i>	<u>16,563,071</u>	<u>941,085</u>	<u>3,397,704</u>	<u>20,901,860</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(413,754)</u>	<u>(20,067)</u>	<u>109,424</u>	<u>(324,397)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	33,664	0	33,664
Transfers Out	(33,664)	0	0	(33,664)
Total Other Financing Sources (Uses)	<u>(33,664)</u>	<u>33,664</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(447,418)	13,597	109,424	(324,397)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>447,996</u>	<u>1,277,848</u>	<u>(295,216)</u>	<u>1,430,628</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$578</u>	<u>\$1,291,445</u>	<u>(\$185,792)</u>	<u>\$1,106,231</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*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, 2006*

**Net Change in Fund Balances - Total Governmental Funds** (\$324,397)

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

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

Capital Asset Additions	237,143	
Current Year Depreciation	<u>(471,560)</u>	
Total		(234,417)

Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities (2,973)

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

Grants	(57,705)	
Interest	(2,932)	
Property Taxes	<u>(62,481)</u>	
Total		(123,118)

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

General Obligation Bonds	186,951	
Payment of Accretion	643,049	
Energy Conservation Loans	32,800	
Capital Leases	<u>77,143</u>	
Total		939,943

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

Accretion of Interest	(296,557)	
Accrued Interest	<u>(598)</u>	
Total		(297,155)

Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities. (9,601)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the statement of activities. 16,949

Refunding gains are reported as an expense in the governmental funds, but are allocated as a reduction of an expense over the life of the bonds. (7,368)

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

Payment of Special Termination Benefits Payable	359,575	
Compensated Absences Payable	<u>(71,377)</u>	
Total		<u>288,198</u>

*Changes in Net Assets of Governmental Activities* \$246,061

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2006*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$5,592,992	\$5,592,992	\$5,872,910	\$279,918
Intergovernmental	10,299,962	10,405,828	10,163,732	(242,096)
Interest	63,632	62,635	62,635	0
Tuition and Fees	477,502	470,024	470,024	0
Contributions and Donations	2,946	2,900	2,900	0
Miscellaneous	26,903	30,881	30,913	32
<i>Total Revenues</i>	<u>16,463,937</u>	<u>16,565,260</u>	<u>16,603,114</u>	<u>37,854</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,040,775	7,801,365	7,801,365	0
Special	1,333,842	1,304,404	1,304,404	0
Vocational	770,760	753,749	753,749	0
Support Services:				
Pupils	330,537	321,371	321,371	0
Instructional Staff	216,506	211,728	211,728	0
Board of Education	59,881	58,527	58,527	0
Administration	1,557,399	1,521,937	1,522,049	(112)
Fiscal	422,840	413,365	413,508	(143)
Operation and Maintenance of Plant	2,338,770	2,260,166	2,260,166	0
Pupil Transportation	1,864,990	1,780,326	1,799,145	(18,819)
Food Service Operation	14,689	14,365	14,365	0
Extracurricular Activities	293,590	287,110	287,110	0
Debt Service:				
Principal Retirement	61,000	61,000	61,000	0
Interest and Fiscal Charges	8,272	8,272	8,272	0
<i>Total Expenditures</i>	<u>17,313,851</u>	<u>16,797,685</u>	<u>16,816,759</u>	<u>(19,074)</u>
Excess of Revenues Under Expenditures	<u>(849,914)</u>	<u>(232,425)</u>	<u>(213,645)</u>	<u>18,780</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	41,063	41,063	41,063	0
Transfers Out	(33,664)	(33,664)	(33,664)	0
Advances Out	(61,946)	(61,946)	(61,946)	0
Total Other Financing Sources (Uses)	<u>(54,547)</u>	<u>(54,547)</u>	<u>(54,547)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(904,461)	(286,972)	(268,192)	18,780
<i>Fund Balance Beginning of Year</i>	1,709,039	1,709,039	1,709,039	0
Prior Year Encumbrances Appropriated	78,406	78,406	78,406	0
<i>Fund Balance End of Year</i>	<u><u>\$882,984</u></u>	<u><u>\$1,500,473</u></u>	<u><u>\$1,519,253</u></u>	<u><u>\$18,780</u></u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2006*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$39,785	\$70,062
<i>Total Assets</i>	39,785	\$70,062
<b>Liabilities</b>		
Due to Students	0	\$70,062
<i>Total Liabilities</i>	0	\$70,062
<b>Net Assets</b>		
Held in Trust for Scholarships	39,785	
<i>Total Net Assets</i>	\$39,785	

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2006*

	Private Purpose Trust Fund
<b>Additions</b>	
Contributions and Donations	\$17,282
Interest	662
Total Additions	17,944
<b>Deductions</b>	
Scholarships Awarded	220
<i>Change in Net Assets</i>	17,724
<i>Net Assets Beginning of Year</i>	22,061
<i>Net Assets End of Year</i>	\$39,785

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

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

The School District was created by the consolidation in 1965 of Adena, Dillonvale, Mount Pleasant, Brilliant, Smithfield and Yorkville Local School Districts, and by a merger with the Warren Consolidated School District in 1966. The School District serves an area of approximately 136 square miles encompassing most of the southern half of Jefferson County, extending west into Harrison County and south into Belmont County. It is staffed by 110 non-certified employees, 178 certified full-time teaching personnel, and 12 administrative employees who provide services to 2,350 students and other community members. The School District currently operates 7 instructional buildings and 1 administrative-bus garage building.

*Reporting Entity:*

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

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

The School District is involved with six organizations, four of which are defined as jointly governed organizations, and two of which are defined as insurance purchasing pools. These organizations are the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Educational Service Agency (OME-RESA), East Central Ohio Special Education Regional Resource Center (ECOSERRC), the Coalition of Rural and Appalachian Schools (CORAS), the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

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

The financial statements of the Buckeye Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

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

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

**B. Fund Accounting**

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

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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

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

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

### **C. Measurement Focus**

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

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

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

### **D. Basis of Accounting**

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2006, investments were limited to nonnegotiable certificates of deposit, negotiable certificates of deposit, money market mutual funds, federal home loan bank notes and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2006.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$63,479 which includes \$34,461 assigned from other School District funds.

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

**F. Restricted Assets**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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Description	Estimated Lives
Land	N/A
Land Improvements	20-50 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

On the government 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. These amounts are recorded in the account "Matured Severance Payable" in the fund from which the employees will be paid.

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

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

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

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

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

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

**N. Interfund Activity**

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

**O. Fund Balance Reserves**

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

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

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$1,364,002 of restricted net assets. Of the restricted net assets, \$972,551 has resulted from enabling legislation.

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**Q. Extraordinary and Special Items**

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

**R. Estimates**

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

**S. Budgetary Data**

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

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

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

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

*Change in Accounting Principles* – For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, and GASB Statement No. 47, “Accounting for Termination Benefits.”

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. See Note 17 for disclosure of special termination benefits.

**Buckeye Local School District**  
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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	(\$447,418)
Revenue Accruals	453,797
Advances In	41,063
Expenditure Accruals	(251,685)
Advances Out	(61,946)
Encumbrances	<u>(2,003)</u>
Budget Basis	<u><u>(\$268,192)</u></u>

**NOTE 5 – FUND DEFICITS**

At June 30, 2006, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
Miscellaneous State Grants	\$99,469
Miscellaneous Federal Grants	21,978
Food Service	163,815

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The deficits in the miscellaneous state grants and the miscellaneous federal grants special revenue funds were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the food service special revenue fund is due to cash advances, the application of generally accepted accounting principals, as well as a failure to adequately fund this program. The School District is currently monitoring its financial condition and is taking steps, like implementing the point of sale system during fiscal year 2005, eliminating ala carte items and raising lunch prices to increase revenues and reducing spending.

**NOTE 6 - CASH AND CASH EQUIVALENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,317,060 of the School District's bank balance of \$2,465,433 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2006, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Money Market Mutual Fund	\$17,303	38 Days Avg.	1.95%	AAAm	S&P
FHLB Note	248,918	1/12/2007	28.12%	AAA	S&P
FHLB Note	257,709	2/9/2007	29.11%	AAA	S&P
FHLB Note	254,948	4/27/2007	28.80%	AAA	S&P
STAR Ohio	106,291	34.77 Days Avg.	12.01%	AAAm	S&P
Totals	<u>\$885,169</u>		<u>100.00%</u>		

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
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Credit Risk. The credit ratings for the School District's securities are listed above. The School District does not have an investment policy that addresses credit risk.

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

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont, Harrison and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements  
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Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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, 2006 was \$237,247 in the general fund and \$34,670 in the debt service fund. The amount available as an advance at June 30, 2005, was \$691,888 in the general fund and \$83,262 in the debt service fund.

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 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$151,442,740	57.7%	\$155,444,160	60.3%
Public Utility Personal	84,322,820	32.1%	87,949,430	34.1%
General Business Personal	26,852,587	10.2%	14,544,507	5.6%
	\$262,618,147	100.0%	\$257,938,097	100.0%
Tax Rate per \$1,000 of assessed valuation		\$30.40		\$30.40

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2006, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$515,656 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
IDEA-Part B	\$39,236
Title II-A	17,763
Title II-D	4,215
Total Intergovernmental Receivables	\$61,214

**Buckeye Local School District**  
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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Deletions	Balance at 6/30/06
Capital Assets - Not Depreciated:				
Land	\$579,049	0	0	\$579,049
Capital Assets - Depreciated:				
Land Improvements	806,229	0	0	806,229
Buildings and Improvements	17,558,571	0	0	17,558,571
Furniture and Equipment	892,472	0	0	892,472
Vehicles	1,528,166	237,143	(124,729)	1,640,580
Total Capital Assets - Depreciated	20,785,438	237,143	(124,729)	20,897,852
Less Accumulated Depreciation:				
Land Improvements	(643,343)	(24,127)	0	(667,470)
Buildings and Improvements	(7,642,371)	(308,628)	0	(7,950,999)
Furniture and Equipment	(535,751)	(52,206)	0	(587,957)
Vehicles	(1,155,688)	(86,599)	121,756	(1,120,531)
Total Accumulated Depreciation	(9,977,153)	(471,560)	121,756	(10,326,957)
Total Capital Assets - Depreciated, Net	10,808,285	(234,417)	(2,973)	10,570,895
Governmental Capital Assets, Net	\$11,387,334	(\$234,417)	(\$2,973)	\$11,149,944

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$187,817
Special	40,122
Vocational	27,777
Support Services:	
Instructional Staff	43,208
Administration	36,949
Operation and Maintenance of Plant	37,745
Pupil Transportation	82,779
Food Service Operations	11,086
Extracurricular Activities	4,077
Total Depreciation Expense	<u>\$471,560</u>

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006 the School District contracted with the Indiana Insurance Company for property and fleet insurance. The type and amount of coverage provided by the Indiana Insurance Company follows:

Commercial Property Coverage - Blanket	\$54,168,223
Property Deductible	2,500
Auto Liability - Combined Single Limit	2,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000
Comprehensive (ACV) and Towing	250 deductible
Collision (ACV)	500 deductible
Hired and Non-Owned Liability	1,000,000

During fiscal year 2006, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium amount to the OSP (See Note 19). The types and amounts of coverage provided by the Ohio School Plan are as follows:

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

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

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$248,884, \$175,438 and \$207,013 respectively; 47.84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**B. State Teachers Retirement System**

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

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

**Buckeye Local School District**  
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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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,105,625, \$1,125,499, and \$1,188,122 respectively; 76.33 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$8,827 made by the School District and \$19,008 made by the 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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2006, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums.

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Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$78,609 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$117,457.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

## **NOTE 13 - OTHER EMPLOYEE BENEFITS**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and certain administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to a maximum accumulation of 240 days for teachers and administrators. In lieu of the 25 percent retirement payment, the certified staff may choose to receive retirement pay consisting of fifty dollars for each day

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of accumulated, unused sick leave on the date of retirement. For the classified employees, payment upon retirement is 30 percent of accrued, but unused accumulated sick leave up to a maximum accumulation of 250 days.

**B. Insurance Benefits**

The School District provides medical, health, and prescription card coverage for all eligible employees through the Health Plan HMO. The School District pays 100 percent of the total monthly premiums of \$884.80 for family coverage and \$305.10 for single coverage.

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

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

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for the purchase and improvement of a building which currently houses the bus garage and the administrative offices. The School District had also entered into a lease for fitness equipment to be used for educational purposes that was fully repaid during fiscal year 2006.

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

The building acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$332,990, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities assets are reflected net of accumulated depreciation in the amount of \$296,361. Principal payments in fiscal year 2006 totaled \$77,143 in the governmental funds.

Future minimum lease payments through 2008 are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30, 2006</u>	<u>          </u>	<u>          </u>	<u>          </u>
2007	\$64,000	\$6,552	\$70,552
2008	67,000	3,348	70,348
Total	<u>\$131,000</u>	<u>\$9,900</u>	<u>\$140,900</u>

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Outstanding 6/30/05	Additions	Reductions	Outstanding 6/30/06	Amounts Due Within One Year
<b>General Obligation Bonds:</b>					
1993 School Improvement Refunding Bonds \$3,749,794					
Capital Appreciation Bonds \$574,794 @ 5.2%-5.6%	\$291,911	\$0	\$111,951	\$179,960	\$96,572
Accretion of Interest - \$3,205,206 @ 15.95%-16.0%	1,551,489	232,968	643,049	1,141,408	658,428
2003 School Improvement Refunding Bonds \$3,174,986					
Serial Bonds - \$1,875,000 @ 1.5%-3.75%	1,810,000	0	75,000	1,735,000	75,000
Capital Appreciation Bonds - \$1,299,986 @ 2.88%-3.23%	1,299,986	0	0	1,299,986	0
Accretion of Interest - \$370,014 @ 4.476%	104,894	63,589	0	168,483	0
Premium - \$135,589	105,929	0	16,949	88,980	0
Refunding Difference - \$58,941	(46,047)	0	(7,368)	(38,679)	0
<b>Total General Obligation Bonds</b>	<b>5,118,162</b>	<b>296,557</b>	<b>839,581</b>	<b>4,575,138</b>	<b>830,000</b>
1996 Energy Conservation Loan - \$727,800 @ 5.25%	32,800	0	32,800	0	0
Capital Leases	208,143	0	77,143	131,000	64,000
Compensated Absences	1,557,217	258,191	186,814	1,628,594	71,962
<b>Total General Long-Term Obligations</b>	<b>\$6,916,322</b>	<b>\$554,748</b>	<b>\$1,136,338</b>	<b>\$6,334,732</b>	<b>\$965,962</b>

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

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

The capital appreciation bonds remained outstanding at June 30, 2006. These bonds were originally sold at a discount of \$3,205,206, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is through 2008.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

During fiscal year 2006 capital appreciation bonds matured and were retired with an original principal amount of \$111,951 and an accreted interest amount of \$643,049 (for a total of \$755,000). The maturity amount of outstanding capital appreciation bonds at June 30, 2006 is \$1,515,000. The accretion recorded for 2006 was \$232,968, for a total outstanding bond liability of \$1,321,368 at June 30, 2006.

Principal and interest requirements to retire general obligation bonds for the 1993 School Improvement Refunding Bonds outstanding at June 30, 2006 are as follows:

1993 School Improvement Capital Appreciation Bonds			
Fiscal Year	Principal	Interest	Total
2007	\$96,572	\$658,428	\$755,000
2008	83,388	676,612	760,000
Totals	\$179,960	\$1,335,040	\$1,515,000

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

These refunding bonds were issued with a premium of \$135,589. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2006 was \$16,949. The refunding bonds had issuance costs of \$76,807 and are being amortized over the life of the bonds using the straight-line method to deferred charges. The amortization of the issuance costs for fiscal year 2006 was \$9,601. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$58,941. This difference is being amortized to interest expense over the life of the bonds using the straight-line method. The fiscal year 2006 amortization was \$7,368.

The 2003 bond issue consists of serial and capital appreciation bonds, whose outstanding value at June 30, 2006 are \$1,735,000 and \$1,299,986 respectively. These bonds are not subject to early redemption.

The capital appreciation bonds for this issue mature December 1, 2008 through December 1, 2009. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$1,670,000. For fiscal year 2006, \$63,589 was accreted for a total bond liability of \$1,468,469.

Principal and interest requirements to retire general obligation bonds for the 2003 School Improvement Refunding Bonds outstanding at June 30, 2006 are as follows:

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

2003 School Improvement Refunding Bonds						
Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2007	\$75,000	\$58,912	\$0	\$0	\$75,000	\$58,912
2008	75,000	57,225	0	0	75,000	57,225
2009	0	56,288	664,376	170,624	664,376	226,912
2010	0	56,287	635,610	199,390	635,610	255,677
2011	840,000	42,112	0	0	840,000	42,112
2012	745,000	13,969	0	0	745,000	13,969
<b>Totals</b>	<b>\$1,735,000</b>	<b>\$284,793</b>	<b>\$1,299,986</b>	<b>\$370,014</b>	<b>\$3,034,986</b>	<b>\$654,807</b>

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

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

The School District's overall legal debt margin was \$19,721,801, with an unvoted debt margin of \$240,503, at June 30, 2006.

**NOTE 16 – INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2006 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u>\$100,774</u>

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**B. Transfers**

	Transfers To
	Debt Service
<u>Transfers From</u>	Fund
General Fund	\$33,664

During fiscal year 2006, the General fund transferred \$33,664 to the Debt Service Fund for the debt service principal and interest amounts for the energy conservation loan.

**NOTE 17 – SPECIAL TERMINATION BENEFITS PAYABLE**

Buckeye Local School District offered a one-time only special termination benefit incentive at the end of the 2004-2005 school-year. Teachers who were at the top of the salary schedule and who terminated employment, regardless of whether they were eligible to retire, and did so at the end of the year, would be paid an amount equal to their annual salary up to a maximum of \$45,000. Those who were eligible for retirement, and did retire, would receive their annual salary amount as well as their normal severance payment. Eleven teachers who were eligible to retire and two teachers with ten or more years of service with the District participated. The total cost of the special termination benefit was \$709,153. The District contracted with Educators Preferred Corporation to administer the payment of these benefits to employees over a two year period. During fiscal year 2006, \$349,578 was paid, leaving an outstanding balance at June 30, 2006 of \$359,575 which was paid August 28, 2006 and is recorded as a liability in the general fund. See subsequent event Note 22 for further details.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

*Jefferson County Joint Vocational School* – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2006, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Karen Spoonmore, who serves as Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. During fiscal year 2006, the total amount paid to OME-RESA from the School District was \$189,845 for cooperative gas purchasing services and \$83,692 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

*The Coalition of Rural and Appalachian Schools (CORAS)* - is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2006.

**NOTE 19 – INSURANCE PURCHASING POOL**

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

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

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2002, the Board of Education passed a resolution to maintain only the refunds from the Bureau of Workers Compensation in the budget reserve pursuant to State Statute and at June 30, 2006 this is all that continues to be set aside.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2005	\$0	\$0	\$115,961
Current Year Set-aside Requirement	318,103	318,103	0
Allowable Carry Forward from Fiscal Year 2005	(138,076)	0	0
Qualifying Disbursements	<u>(401,341)</u>	<u>(324,946)</u>	<u>0</u>
Totals	<u>(\$221,314)</u>	<u>(\$6,843)</u>	<u>\$115,961</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$221,314)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>	<u>\$115,961</u>

The School District had offsets, transfers and qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be carried forward to reduce future year requirements. The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside that may not be carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$115,961.

**Buckeye Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

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**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

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

**NOTE 22 - SUBSEQUENT EVENT**

The special termination benefits package that was offered at the end of the 2004-2005 school year, had a total cost of \$709,153. The School District made the first payment of \$349,578 in August 2005 and the second and final payment of \$359,575 on August 28, 2006.

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURE SCHEDULE  
JUNE 30, 2006**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	03-PU-02	10.550		\$46,364		\$46,264
<b>Nutrition Cluster</b>						
National School Breakfast	02-PU-02	10.553	98,131		98,131	
National School Lunch Program	04-PU-02	10.555	332,021		332,021	
Total Nutrition Cluster			430,152		430,152	
Total U.S. Department of Agriculture			430,152	46,364	430,152	46,264
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-05 C1-S1-06 FY05 FY06	84.010	26,382 614,947 0 501		83,688 598,979 0 501	
Total Grants to Local Education Agencies			641,830		683,168	
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA Part B)	MS-S1-05 MS-S1-06 6BSD-06	84.027	49,417 603,526 24,346		92,281 578,430 22,491	
Total Special Education Grants to States			677,289		693,202	
Special Education - Preschool Grant	PG-05 PG-06	84.173	2,062 28,150			
Total Special Education Preschool Grant			30,212		25,879	
Total Special Education Cluster			707,501		719,081	
Innovative Education Program Strategies	C2-S1-04 C2-S1-05 C2-S1-06	84.298		411 7,206		1,992 7,206
Total Innovative Education Program			7,617		9,198	
Improving Teacher Quality Program	FY 05 FY 06	84.367	22,640 160,489		26,612 173,822	
Total Improving Teacher Quality Program			183,129		200,433	
Safe and Drug Free School Program	DR-S1-05 DR-S1-06	84.186	4,626 24,387		5,244 23,767	
Total Safe and Drug Free School Program			29,013		29,011	
Education Technology Grant	FY05 FY06	84.318	2,099 6,982		0 8,928	
Total Education Technology Grant			9,081		8,928	
Total U. S. Department of Education			1,578,171		1,649,819	
<b>U.S. Department of Homeland Security</b>						
Public Assistance	FY 05	97.036	58,331		58,331	
<b>Total Federal Financial Awards</b>			<b>\$2,066,654</b>	<b>\$46,364</b>	<b>\$2,138,302</b>	<b>\$46,264</b>

*The notes to the Federal Awards Expenditure Schedule are an integral part of this schedule.*

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE  
JUNE 30, 2006**

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**2. CHILD NUTRITION CLUSTER**

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

**3. FOOD DONATION PROGRAM**

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



# Mary Taylor, CPA

Auditor of State

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

Buckeye Local School District  
Jefferson County  
6899 State Route 150  
P.O. Box 300  
Dillonvale, Ohio 43917

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Local School District, Jefferson County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated May 17, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-003. In a separate letter to the District's management dated May 17, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 17, 2007



# Mary Taylor, CPA

## Auditor of State

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

Buckeye Local School District  
Jefferson County  
6899 State Route 150  
P.O. Box 300  
Dillonvale, Ohio 43917

To the Board of Education:

#### Compliance

We have audited the compliance of the Buckeye Local School District, Jefferson County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. In a separate letter to the District's management dated May 17, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's Management in separate letter dated March 17, 2007.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 17, 2007

**BUCKEYE LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 .505  
JUNE 30, 2006**

**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)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.010 Title I 84.367 Improving Teacher Quality
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

<b>Finding Number</b>	<b>2006-001</b>
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**Finding for Recovery**

A former secretary of Buckeye Local High School, Toni Blumenauer, had sole control over the High School Principal's Fund (Fund 018), as well as incoming monies from other sources including classroom fees, revenue from athletic events and proceeds from fund raising events conducted by various school groups that should be posted to the credit of the Principals' Fund, the General Fund, various Athletic Funds and various Student Activity Funds, respectively.

From October 2004 through September 2006, some of the revenue collected from the above named sources was not deposited to the District Treasury nor was the revenue accounted for by the District.

The Secretary substituted checks, which she received but did not record, from various sources, the majority being from incoming sources of revenue to the Principal's Fund, for cash. This was done by holding checks for a period of time so that the total amount of some deposits would reflect the correct amount but in effect the deposits were being shorted because checks were being used to replace cash amounts.

The amount of the checks substituted for cash in each year is as follows:

Fiscal Year 2007	\$ 6,378.50
Fiscal Year 2006	16,732.96
Fiscal year 2005	<u>5,832.38</u>
	<u>\$28,943.84</u>

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Toni Blumenauer, former High School Secretary, and Ohio Casualty Insurance Company, her bonding company, jointly and severally, for \$28,943.84 and in favor of the High School Principal's Fund, the General Fund, various Athletic Funds and various Student Activity Funds of Buckeye Local School District.

<b>Finding Number</b>	<b>2006-002</b>
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**Finding for Recovery**

Proceeds from some athletic events and one "tag day" for the Class of 2009 were not deposited to the District Treasury. During 2005 and 2006, the Secretary received cash and wrote receipts to the activity advisor for the Class of 2009 and to the athletic director, but did not record the pay-in on the pay-in summary and did not deposit the cash to the District Treasury. The receipts from the athletic events were verified to the records maintained by the Athletic Director.

The amount of cash from ticket sales for athletic events and from the Class of 2009 "tag day" fundraiser collected but not deposited is:

Fiscal Year 2006 Athletic Events	\$3,259.00
Fiscal Year 2006 Class of 2009	564.31
Fiscal Year 2005 Athletic Events	<u>1,598.00</u>
	<u>\$5,421.31</u>

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Toni Blumenauer, former High School Secretary, and Ohio Casualty Insurance Company, her bonding company, jointly and severally, for \$5,421.31 and in favor of various Athletic Funds and the Class of 2009 Fund.

<b>Finding Number</b>	<b>2006-003</b>
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**Finding for Recovery**

On several occasions, receipts were written by the Secretary to teachers or activity advisors for money that was collected for specific fees or activities. Some of these receipts were not recorded on the pay-in summary sheet and therefore were not subsequently credited to the appropriate fund. Individual fee payments could have been paid with either cash or check. Therefore, the total amount associated with a receipt could have been comprised of cash, checks, or a combination of both. Some of the checks collected for these fees have been accounted for in the substitution scheme outlined above while other amounts were converted by the Secretary. To determine that amount converted, the total amount involved in the substitution scheme was reduced by the known revenue sources that were earmarked for specific sources. The balance of the substitution came from checks paid for other fees or activities which were collected but not recorded on the pay-in summary sheets and were, therefore, not credited to the appropriate funds.

Fiscal Year 2006

Substitution Scheme Total	\$16,732.96	Collected and not recorded	\$7,903.00
Known Sources	<u>11,545.90</u>	Substitution Unknown Sources	<u>5,187.06</u>
Substitution Unknown Sources	\$ 5,187.06	*Collected and not recorded	\$2,715.94

Fiscal Year 2005

Substitution Scheme Total	\$5,832.38	Collected and not recorded	\$8,793.00
Known Sources	<u>5,229.66</u>	Substitution Unknown Sources	<u>602.72</u>
Substitution Unknown Sources	\$ 602.72	*Collected and not recorded	\$8,190.28

\*This amount was calculated to determine the portion of the revenue that had been collected, not recorded but not included in the substitution scheme described in Finding 2006-001.

The amounts of revenue collected and not recorded or accounted for is:

Fiscal Year 2006	\$ 2,715.94
Fiscal Year 2005	<u>8,190.28</u>
	<u>\$10,906.22</u>

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Toni Blumenauer, former High School Secretary, and Ohio Casualty Insurance Company, her bonding company, jointly and severally, for \$10,906.22 and in favor of the General Fund, the High School Principal's Fund, several Athletic Funds and several Student Activity Funds of Buckeye Local School District.

<b>Finding Number</b>	<b>2006-004</b>
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**Reportable Condition**

Ohio Administrative Code Section 117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of certain objectives for a respective public office. Ohio Administrative Code Section 117-2-01(B) defines internal control as a process affected by an entity's governing board, management and personnel, designed to provide reasonable assurance regarding the achievement of specific objectives in one of four categories, including safeguarding assets. The District does not maintain a system of internal control that adequately safeguards monies received at all collection points.

The High School Secretary has sole control over receipts coming into the high school and in addition to a lack of segregation of duties, there are several other weaknesses.

- Activity advisors, the athletic director and teachers prepare a pay-in report each time they deposit money with the Secretary. These deposits are generated by student activities, athletic events or classroom fees. The money is not always recounted in the presence of the payor to verify the accuracy of the pay in report at the time the money is being deposited with the Secretary.
- The Secretary also receives some money by mail for which no pay-in report is prepared. The mail receipts are usually vending commissions or donations that should be credited to the Principals Fund.
- Prenumbered receipts are not consistently prepared for the activity advisors, the athletic director or teachers each time money is brought to the Secretary for deposit and prenumbered receipts are not prepared for the money received by mail.
- At the end of each day, a pay-in summary is prepared by the Secretary. The prenumbered receipt numbers, which document each specific amount paid and the purpose of the payment, are not identified on the pay-in summary.
- The bank deposit slips are prepared by the Secretary and do not indicate the amount of currency and/or checks that make up each deposit, even though this information is on the pay-in report.
- The Secretary is also responsible for depositing money to the bank.

The cumulative effect of these weaknesses is that some money collected at the high school cannot be accounted for. To strengthen controls over the receipt cycle the District should consider several procedural changes.

- The duties of collecting money, preparing receipts, preparing pay-in summaries and depositing to the bank should be segregated. There is more than one person in the high school office with whom the duties could be shared.
- Before money is brought to the high school office for deposit, a pay in report is prepared by the activity advisor, the athletic director or teacher who has collected the money. Each deposit should be recounted in the presence of the payor to verify accuracy by comparing the recount to the pay-in report. Any error made on the pay-in report should be corrected immediately and the pay-in report should be signed or initialed by the payor and by the secretary to document correction of the error.
- A prenumbered receipt should be prepared for each receipt and should indicate the payor, the amount, the source (purpose) and the fund which should be credited.
- A pay-in summary should be prepared at the end of each day by a secretary. The summary should include the amount collected, the source, the receipt number, the payor and the fund number which should be credited.
- When deposit slips are prepared, the amount of currency and the amount of checks being deposited should be identified. This information can be traced back to the pay-in report.

Segregating duties of the receipt cycle at the high school and implementing the procedures listed above will improve internal controls to safeguard assets.

#### **Officials' Response**

We did not receive a response from Officials to the findings reported above.

### **3. FINDINGS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
Auditor of State

**BUCKEYE LOCAL SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 12, 2007**