



**Auditor of State  
Betty Montgomery**



**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Local School District  
Ashtabula County  
3436 Edgewood Drive  
Ashtabula, Ohio 44004

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, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 opinions.

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, Ashtabula County, Ohio, as of June 30, 2005, and the respective changes in financial position and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

May 16, 2006

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*Unaudited*

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

### **Financial Highlights**

Key financial highlights for 2005 are as follows:

- For governmental activities, net assets decreased \$362,024, which represents a 6.4 percent decrease from 2004.
- General revenues accounted for \$17 million in revenue or 90 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2.3 million or 12.2 percent of total governmental revenues of \$19 million.
- The District had \$19.7 million in expenses related to governmental activities; only \$2.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17 million were adequate to provide for these programs.
- Among major funds, the general fund had \$16.8 million in revenues and \$17.5 million in expenditures. The general fund's fund balance decreased to \$2.03 million from \$2.64 million.

### **Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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. The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Buckeye School District, the general fund by far is the most significant fund.

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**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answers 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 accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District has only one kind of activity:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

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

*Fund Financial Statements*

The analysis of the District's major fund begins on page 8. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general governmental operations and the basic

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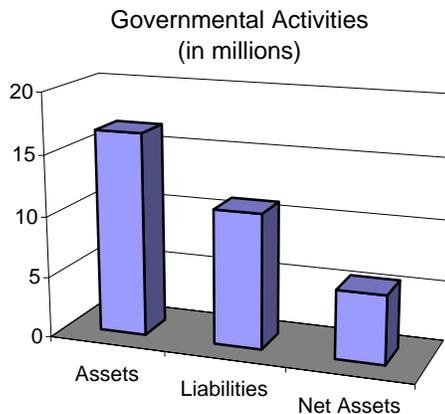
services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**The District as a Whole**

Table 1 shows net assets for fiscal year 2005 and 2004

**Table 1**

	2005 Governmental Activities	2004 Governmental Activities
<b>Assets:</b>		
Current and Other Assets	\$ 13,538,120	\$ 12,710,573
Capital Asset, Net of Accumulated Depreciation	<u>3,966,527</u>	<u>3,960,986</u>
<i>Total Assets</i>	<u>17,504,647</u>	<u>16,671,559</u>
<b>Liabilities:</b>		
Current Liabilities	10,554,705	9,044,031
Long-term Liabilities	<u>1,703,929</u>	<u>2,019,491</u>
<i>Total Liabilities</i>	<u>12,258,634</u>	<u>11,063,522</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Debt	3,491,527	3,385,986
Restricted	379,794	446,380
Unrestricted	<u>1,374,692</u>	<u>1,775,671</u>
<i>Total Net Assets</i>	<u>\$ 5,246,013</u>	<u>\$ 5,608,037</u>



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

**Table 2**

	2005 Governmental Activities	2004 Governmental Activities
<b>Revenue:</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,310,283	\$ 591,471
Operating Grants and Contributions	1,007,427	1,023,303
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	9,840,438	9,628,421
Grants and Entitlements	6,725,553	6,878,099
Investment Earnings	59,176	44,527
Miscellaneous	372,107	317,980
Gain / (Loss) of Sales of Capital Assets	682	(35,219)
<b>Total Revenues</b>	<b>19,315,666</b>	<b>18,448,582</b>
<b>Expenses:</b>		
Instructions:		
Regular	10,191,741	9,525,892
Special	1,817,736	1,801,047
Vocational	321,444	331,832
Adult/Continuing	900	3,144
Other	38,632	6,781
Support Services:		
Pupils	500,213	554,777
Instructional Staff	404,453	488,422
Board of Education	31,937	33,461
Administration	1,285,349	1,459,214
Fiscal	519,109	559,621
Business	94,474	130,340
Operation and Maintenance of Plant	1,804,406	2,020,833
Pupil Transportation	1,085,198	1,110,107
Central	135,047	100,826
Operation of Non-instructional Services	936,965	893,477
Extracurricular Activities	484,156	432,538
Fiscal and Interest Charges	25,930	28,462
<b>Total Expenses</b>	<b>19,677,690</b>	<b>19,480,774</b>
<b>Changes in Net Assets</b>	<b>\$ (362,024)</b>	<b>\$ (1,032,192)</b>

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not

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increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

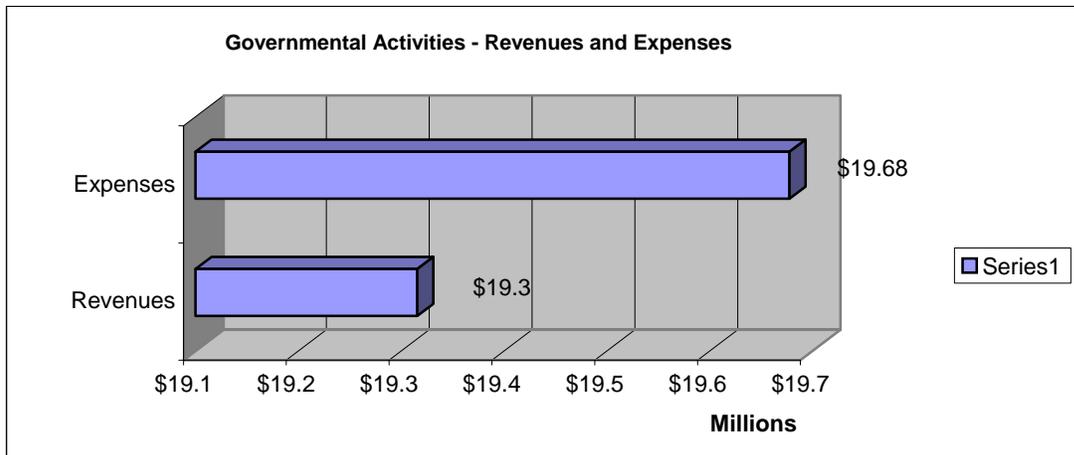
Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 52 percent of revenue for governmental activities for Buckeye Local School District in fiscal year 2005, a slight increase from prior years.

***Governmental Activities***

Net assets of the District's governmental activities decrease by \$362,024. The governmental expenses of \$19,677,690 were primarily offset by program revenues of \$2,317,710, general revenues of \$16,997,956 and prior year cash balance. Program revenues supported 11.8% of the total governmental activities.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 87% of total governmental revenue.

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



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

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**Table 3**

	Total Cost of Service	Net Cost of Service
Instruction	\$ 12,370,453	\$ 11,180,105
Support Service:		
Pupils and Instructional Staff	904,666	806,836
Board of Education, Administration, Fiscal and Business	1,930,869	1,930,869
Operation and Maintenance of Plant	1,804,406	1,804,406
Pupil Transportation	1,085,198	1,085,198
Central	135,047	135,047
Operation of Non-instructional Services	936,965	52,032
Extracurricular Activities	484,156	339,557
Interest and Fiscal Charges	25,930	25,930
<b>Total Expenses</b>	<b>\$ 19,677,690</b>	<b>\$ 17,359,980</b>

The dependence upon general tax revenues for governmental activities is apparent. Over 64 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue and prior year cash balance support all expenses as shown in the above table. The community, as a whole, is by far the primary support for Buckeye Local School District students.

***The District's Funds***

Information about the District's major fund starts on page 15. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19 million and expenditures of \$19.8 million. The net change in fund balance for the year was most significant in the general fund, where the general fund's fund balance decreased by \$608,081 for fiscal year 2005.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2005 the District amended its General Fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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For the General Fund, budget basis revenue was \$16.6 million, under the original budget estimate of \$17.0 million.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$17.1 million, \$0.5 million above revenues.

***Capital Assets and Debt Administration***

At the end of fiscal year 2005, the District had \$3.96 million (net) invested in land, construction in progress, buildings, equipment and vehicles in governmental activities.

Table 4 shows fiscal 2005 gross capital asset balances for governmental type activities compared to the prior fiscal year.

**Table 4**

	Governmental Activities	
	2005	2004
Land	\$ 402,305	\$ 402,305
Buildings and Improvements	2,024,946	1,846,147
Furniture/Equipment/Fixtures	656,034	772,086
Vehicles	585,470	632,545
Textbooks	297,772	307,903
 Total Capital Assets, Net	 \$ 3,966,527	 \$ 3,960,986

The increase in capital assets is due to recognized \$352,752 in acquisition, offset by \$347,211 of depreciation expense in 2005. These acquisitions were distributed among buildings and improvements, furniture, equipment, vehicles and construction in progress. The District also retired \$327,352 of capital assets. The District continued its ongoing commitment to maintaining and improving its capital assets.

***Set-Aside Requirements***

For fiscal year 1999, a change in Ohio law required school districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this amount was increased to three percent beginning in fiscal year 2000. For fiscal year 2005, this amounted to \$428,685 for each set aside. For fiscal year 2005, the District spent more than the set-aside amounts for textbooks and capital improvement. Therefore, no cash balance is carried forward for the next fiscal year.

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***Debt***

At June 30, 2005, the District had \$475,000 in energy conservation bonds outstanding. Of this total, \$105,000 is due within one year and \$370,000 is due more than one year.

**Current Financial Related Activities**

Buckeye Local School District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers. With the passage of a 6.5 mill continuous operating levy and collection beginning January 2006 the District has been able to continue its education programs. The 4.8 mill five-year operating levy expires December 31, 2005. However, financially the future is not without challenges.

While the District was successful in increasing its tax revenue base in 2000, this increase is a one-time increase. State law fixes the amount of this increase, forcing it to remain nearly constant. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast.

Declining state foundation payments due to increased property valuations provide no significant increase in future revenues. This decline is due to the increasing valuation charge-offs in determining state foundation payments. The increases in property tax revenues are almost offset to decreases in state foundation payments. With its major sources of revenue not keeping pace with expenditure increases, the District must seek additional tax revenues to continue current operations. However, the District cannot look to the State of Ohio for increased revenue.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that it thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Buckeye Local School District. Thus, both taxes and state revenue are fixed or declining.

HB 66 will eliminate personal property taxes with a hold harmless period of five years starting in calendar year 2006. In year six, the personal property tax reimbursements for the hold harmless amounts will be reduced for seven years to zero. Personal property taxes account for 48% of tax revenue in FY 2005. The State of Ohio is proposing the replacement of these revenues by a new tax, the CAT tax. However, substantial information on the amounts that school districts will receive from the CAT tax has yet to be determined.

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The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Michael A. Rock, CPA, Treasurer at Buckeye Local School District, 3436 Edgewood Drive, Ashtabula, Ohio 44004.

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

		Governmental Activities
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$	2,608,838
Receivables:		
Taxes		10,654,049
Accounts		32,231
Intergovernmental		142,373
Inventory Held for Resale		26,807
Materials and Supplies Inventory		73,822
Nondepreciable Capital Assets		402,305
Depreciable Capital Assets, Net		<u>3,564,222</u>
<i>Total Assets</i>	\$	<u>17,504,647</u>
<b>Liabilities</b>		
Accounts Payable	\$	357,178
Accrued Wages and Benefits		1,822,555
Intergovernmental Payable		83,902
Unearned Revenue		7,313,303
Claims Payable		711,078
Pension Obligation Payable		266,689
Long-Term Liabilities:		
Due Within One Year		305,878
Due Within More Than One Year		<u>1,398,051</u>
<i>Total Liabilities</i>	\$	<u>12,258,634</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$	3,491,527
Restricted for:		
Capital Projects		264,280
Debt Service		32,336
Other Purposes		83,178
Unrestricted (Deficit)		<u>1,374,692</u>
<i>Total Net Assets</i>	\$	<u><u>5,246,013</u></u>

*See accompanying notes to the basic financial statements.*

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 10,191,741	\$ 706,033	\$ -	\$ (9,485,708)
Special	1,817,736	-	484,315	(1,333,421)
Vocational	321,444	-	-	(321,444)
Adult/Continuing	900	-	-	(900)
Other	38,632	-	-	(38,632)
Support Services:				
Pupils	500,213	-	-	(500,213)
Instructional Staff	404,453	-	97,830	(306,623)
Board of Education	31,937	-	-	(31,937)
Administration	1,285,349	-	-	(1,285,349)
Fiscal	519,109	-	-	(519,109)
Business	94,474	-	-	(94,474)
Operation and Maintenance of Plant	1,804,406	-	-	(1,804,406)
Pupil Transportation	1,085,198	-	-	(1,085,198)
Central	135,047	-	-	(135,047)
Operation of Non-Instructional Services	936,965	459,651	425,282	(52,032)
Extracurricular Activities	484,156	144,599	-	(339,557)
Interest and Fiscal Charges	25,930	-	-	(25,930)
<b>Total Governmental Activities</b>	<b>19,677,690</b>	<b>1,310,283</b>	<b>1,007,427</b>	<b>(17,359,980)</b>

**General Revenues**

Property Taxes Levied for:			
General Purposes			\$ 9,277,891
Debt Service			158,266
Capital Purposes			404,281
Grants and Entitlements not Restricted to Specific Programs			6,725,553
Investment Earnings			59,176
Gain on Sale of Capital Assets			682
Miscellaneous			372,107
Loss on Sale of Fixed Asset			-
<b>Total General Revenues</b>			<b>16,997,956</b>
Changes in Net Assets			(362,024)
<b>Net Assets Beginning of Year</b>			<b>5,608,037</b>
<b>Net Assets End of Year</b>			<b>\$ 5,246,013</b>

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 2,049,865	\$ 558,973	\$ 2,608,838
Receivables:			
Taxes	10,085,189	568,860	10,654,049
Accounts	10,949	21,282	32,231
Intergovernmental	-	142,373	142,373
Interfund Receivables	174,587	-	174,587
Inventory Held for Resale	-	26,807	26,807
Materials and Supplies Inventory	70,578	3,244	73,822
	<u>12,391,168</u>	<u>1,321,539</u>	<u>13,712,707</u>
<i>Total Assets</i>			
	<u>12,391,168</u>	<u>1,321,539</u>	<u>13,712,707</u>
<b>Liabilities</b>			
Accounts Payable	208,077	149,101	357,178
Accrued Wages and Benefits	1,710,599	111,956	1,822,555
Compensated Absences Payable	66,969	4,359	71,328
Pension Obligation Payable	252,016	14,673	266,689
Interfund Payable	-	174,587	174,587
Intergovernmental Payable	78,169	5,733	83,902
Deferred Revenue	7,331,492	423,929	7,755,421
Claims Payable	711,078	-	711,078
	<u>10,358,400</u>	<u>884,338</u>	<u>11,242,738</u>
<i>Total Liabilities</i>			
	<u>10,358,400</u>	<u>884,338</u>	<u>11,242,738</u>
<b>Fund Balances</b>			
Reserved for:			
Encumbrances	213,159	110,210	323,369
Inventory	-	3,244	3,244
Property Taxes	2,684,512	116,268	2,800,780
Undesignated, Reported in:			
General Fund	(864,903)	-	(864,903)
Special Revenue Funds	-	53,072	53,072
Debt Service Funds	-	32,336	32,336
Capital Projects Funds	-	122,071	122,071
	<u>2,032,768</u>	<u>437,201</u>	<u>2,469,969</u>
<i>Total Fund Balances</i>			
	<u>2,032,768</u>	<u>437,201</u>	<u>2,469,969</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,391,168</u>	<u>\$ 1,321,539</u>	<u>\$ 13,712,707</u>

See accompanying notes to the basic financial statements.

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

<b>Total Governmental Fund Balances</b>	<b>\$</b>	<b>2,469,969</b>
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***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 not reported in the funds.		476,127
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Long-term liabilities, including bonds, notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(1,157,601)	
Deferred Revenue	7,671,519	
General Obligation Bonds Payable	<u>(475,000)</u>	

Total		<u>6,038,918</u>
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<i>Net Assets of Governmental Activities</i>	<b>\$</b>	<b><u>8,985,014</u></b>
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*See accompanying notes to the basic financial statements.*

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 9,106,380	\$ 555,292	\$ 9,661,672
Intergovernmental	6,678,259	1,054,721	7,732,980
Interest	59,066	110	59,176
Tuition and Fees	646,292	-	646,292
Extracurricular Activities	1,966	142,633	144,599
Food Services	-	459,651	459,651
Classroom Materials and Fees	-	59,741	59,741
Miscellaneous	244,284	17,080	261,364
<i>Total Revenues</i>	<u>16,736,247</u>	<u>2,289,228</u>	<u>19,025,475</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	9,715,207	188,481	9,903,688
Special	1,467,169	355,880	1,823,049
Adult/Continuing	-	900	900
Vocational	316,008	-	316,008
Other	38,612	20	38,632
Support Services:			
Pupils	495,695	-	495,695
Instructional Staff	280,864	136,770	417,634
Board of Education	31,357	580	31,937
Administration	1,324,222	-	1,324,222
Fiscal	527,056	7,329	534,385
Business	91,070	-	91,070
Operation and Maintenance of Plant	1,734,834	2,320	1,737,154
Pupil Transportation	905,323	78,230	983,553
Central	126,400	7,224	133,624
Operation of Non-Instructional Services	-	919,317	919,317
Extracurricular Activities	356,995	125,108	482,103
Capital Outlay	77,579	372,672	450,251
Debt Service:			
Principal Retirement	-	100,000	100,000
Interest and Fiscal Charges	-	25,930	25,930
<i>Total Expenditures</i>	<u>17,488,391</u>	<u>2,320,761</u>	<u>19,809,152</u>
<i>Excess of Revenue Over/(Under) Expenditures</i>	<u>(752,144)</u>	<u>(31,533)</u>	<u>(783,677)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	682	-	682
Other Financing Sources	110,743	-	110,743
Transfer In	80,900	48,262	129,162
Transfer Out	(48,262)	(80,900)	(129,162)
<i>Total Other Financing Sources (Uses)</i>	<u>144,063</u>	<u>(32,638)</u>	<u>111,425</u>
<i>Net Change in Fund Balances</i>	(608,081)	(64,171)	(672,252)
<i>Fund Balances Beginning of Year (as restated see note 19)</i>	<u>2,640,849</u>	<u>501,372</u>	<u>3,142,221</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,032,768</u>	<u>\$ 437,201</u>	<u>\$ 2,469,969</u>

See accompanying notes to the basic financial statements.

**Buckeye Local School District  
Ashtabula County**

*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in the Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

**Net Change in Fund Balances - Total Governmental Funds** \$ (672,252)

***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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Fixed Assets Additions	352,752
Current Year Depreciation	<u>(347,211)</u>

Total	5,541
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	442,118
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

(100,000)

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

Compensated Absences Payable	<u>(37,431)</u>
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Total	<u>(37,431)</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ (362,024)</u></u>
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*See accompanying notes to the basic financial statements.*

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

	<u>Budgeted Amount</u>			Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<i><u>Revenue:</u></i>				
Taxes	\$ 9,465,571	\$ 10,075,256	\$ 9,037,195	\$ (1,038,061)
Intergovernmental	6,890,131	5,654,160	6,678,259	1,024,099
Interest	98,000	6,623	6,623	-
Tuition	354,000	612,933	612,932	(1)
Transportation Fees	36,000	34,013	34,013	-
Miscellaneous	198,240	231,316	245,279	13,963
<b>Total Revenues</b>	<b>17,041,942</b>	<b>16,614,301</b>	<b>16,614,301</b>	<b>-</b>
<i><u>Expenditures:</u></i>				
Instruction:				
Regular	8,718,926	9,521,320	9,488,599	32,721
Special	1,450,468	1,417,213	1,402,703	14,510
Vocational	363,704	322,352	321,682	670
Adult/Continuing	250	-	-	-
Other Instruction	36,000	38,612	38,612	-
Support Services:				
Pupils	600,152	517,078	512,906	4,172
Instructional Support	394,549	291,033	283,173	7,860
Board of Education	31,933	31,418	31,418	-
Administration	1,457,654	1,281,819	1,266,879	14,940
Fiscal	597,120	534,665	532,663	2,002
Business	102,437	93,812	90,828	2,984
Operation and Maintenance of Plant	1,831,260	1,788,486	1,686,530	101,956
Pupil Transportation	1,073,345	940,024	924,616	15,408
Central	183,965	141,256	131,937	9,319
Extracurricular Activities	402,557	366,277	362,913	3,364
Capital Outlay	84,940	80,579	77,329	3,250
<b>Total Expenditures</b>	<b>17,329,260</b>	<b>17,365,944</b>	<b>17,152,788</b>	<b>213,156</b>
Excess of Revenues Over/ (Under) Expenditures	(287,318)	(751,643)	(538,487)	213,156
<i><u>Other Financing Sources/(Uses):</u></i>				
Proceeds from Sale of Capital Assets	810	810	810	-
Other Miscellaneous Sources	110,743	110,743	110,743	-
Advance In	42,440	42,440	42,440	-
Advance Out	(174,587)	(174,587)	(174,587)	-
Transfer In	80,900	80,900	80,900	-
Transfer Out	(48,262)	(48,262)	(48,262)	-
<b>Total Other Financing Sources/(Uses)</b>	<b>12,044</b>	<b>12,044</b>	<b>12,044</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(275,274)</b>	<b>(739,599)</b>	<b>(526,443)</b>	<b>213,156</b>
Fund Balance/(Deficit) at the Beginning of Year	1,865,231	1,865,231	1,865,231	-
Prior year encumbrances appropriated	(213,159)	(213,159)	(213,159)	-
<b>Fund Balance/(Deficit) at the End of Year</b>	<b>\$ 1,376,798</b>	<b>\$ 912,473</b>	<b>\$ 1,125,629</b>	<b>\$ 213,156</b>

See accompanying notes to the basic financial statements

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

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 32,434	\$ 40,950
<i>Total Assets</i>	32,434	40,950
<b>Liabilities</b>		
Due to Students	-	40,950
<i>Total Liabilities</i>	-	\$ 40,950
<b>Net Assets</b>		
Held in Trust for Scholarships	32,434	
<i>Total Net Assets</i>	\$ 32,434	

*See accompanying notes to the basic financial statements.*

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

	Private Purpose Trust
	Scholarship
<b>Addition</b>	
Interest	\$ 682
<b>Deduction</b>	
	1,500
<i>Change in Net Assets</i>	(818)
<i>Net Assets Beginning of Year</i>	33,252
<i>Net Assets End of Year</i>	\$ 32,434

*See accompanying notes to the basic financial statements.*

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

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**Note 1 – Description of the School District and Reporting Entity**

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2005 was 2,334. The District employed 135 certified employees and 107 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

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

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

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

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**Note 1 – Description of the School District and Reporting Entity (Continued)**

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

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

***A. Fund Accounting***

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund type under the broad fund categories: governmental and fiduciary.

***Governmental Fund Types*** Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of “available spendable resources” during the period.

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

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

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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

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

***B. Basis Of Presentation***

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

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relation between the government-wide statements and the statements to governmental funds.

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

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

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

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

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

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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

*C. Basis of Accounting*

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

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

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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

***D. Budget and Budgetary Accounting***

All governmental fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the basic financial statements:

***Tax Budget*** A tax budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

***Estimated Resources*** The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources, which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.

***Appropriations*** An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

***E. Cash and Investments***

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year, all investments were limited to Federal agency bonds and notes,

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

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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Special Trust Fund and Private-Purposes Trust Fund, as authorized by Board resolution. Interest income earned in fiscal year 2005 totaled \$59,858.

***F. Taxes Receivable***

The financial statements reflect taxes receivable as of June 30, 2005. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majorities are not due at June 30, 2004 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible. The taxes receivable and corresponding deferred revenue amounts reflect an allowance for doubtful accounts based on a historical percentage of delinquent taxes.

***G. Inventories***

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and general supplies. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchased method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or

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

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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

***I. Capital Assets***

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction of capital assets is also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Description	Governmental Activities Estimated Lives
Building and Improvements	30 - 50 years
Furniture	20 years
Equipment	10 -20 years
Fixtures	15 years
Vehicles	10 years

***J. Interfund Balances***

On the fund financial statements, receivables and payables resulting short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental columns of the statement of net assets.

***K. 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

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

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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

***L. Compensated Absences***

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

The current portion of unpaid compensated absence, which expected to be paid using the available expendable resources, is reported on the governmental funds financial statements. The amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

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

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-

**Buckeye Local School District**  
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**Note 2 – Summary of Significant Accounting Policies -- (Continued)**

term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

***N. Fund Balance Reserves***

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. 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, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***P. Extraordinary and Special Items***

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

***Q. Estimates***

The preparation of the 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.

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**Note 3 – Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

*Net Change in Fund Balance*

Budget Basis	(\$526,443)
Net Adjustment for Revenue Accruals	(121,946)
Net Adjustment for Expenditure Accruals	(335,603)
Adjustment for Encumbrances	<u>132,019</u>
GAAP Basis	<u>(\$608,081)</u>

**Note 4 – Cash and Investments**

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits 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 withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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**Note 4 – Cash and Investments -- (Continued)**

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

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

**Buckeye Local School District**  
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**Note 4 – Cash and Investments -- (Continued)**

**Deposits**

**Custodial Credit Risk:** 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 possession of an outside party. At fiscal year end, \$277,661 of the School District’s bank balance of \$477,667 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the investment of money had been followed, noncompliance 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 requirement 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 give percent of the deposited being secured.

**Investments**

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

	Fair Value	Maturity
Categorized Investments:		
Fifth Third Investment Money Market	\$ 603,122	-
Federal Home Loan Bank	896,017	< 12 months
Federal National Mortgage Corporation	100,188	< 8 months
Federal Home Loan Discount Notes	147,094	< 2 months
Total Categorized Investments	1,746,421	
Non-categorized Investments:		
Government & Government Agency STAR Ohio	\$ 307,707	-
Total Non-categorized Investments	307,707	
Total Investments	\$ 2,054,128	

**Buckeye Local School District**  
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**Note 4 – Cash and Investments -- (Continued)**

*Interest Rate Risk:* The School District has no investment policy that addresses the interest rate risk. 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. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

*Credit Risk:* The Fifth Third Investment Money Market, Federal Home Loan Bank bonds, Federal National Mortgage Association notes, and Federal Home Loan Discount notes all carry a rating of AAA by Standard & Pool's and STAR Ohio also carries a rating of AAAM by Standard & Pool's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fifth Third Investment Money Market, Federal Home Loan Bank bonds, Federal National Mortgage Association notes, and Federal Home Loan Discount 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 following is the School District's allocation as of June 30, 2005:

<u>Investment</u>	<u>Percentage of Investment</u>
Fifth Third Investment Money Market	29.40%
Federal Home Loan Bank	43.60%
Federal National Mortgage Corporation	4.90%
Federal Home Loan Discount Notes	7.10%
STAR Ohio	15.00%

**Buckeye Local School District**  
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**Note 5 – Property Tax**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date.

Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2002; an update will be done in 2005. The next revaluation is scheduled for 2008.

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 usually due February 14, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Ashtabula County Treasurer collects property taxes on behalf of the District. The Ashtabula County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2005 for operations was \$41.71 per \$1,000 of assessed valuation and for permanent improvements, \$1.90 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2005 taxes were collected were as follows:

**Buckeye Local School District**  
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**For the Year Ended June 30, 2005**

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**Note 5 – Property Tax (Continued)**

	2005	2004	
Real Property			
Residential/Agricultural	\$ 153,055,370	\$ 150,712,640	
Commercial and Industrial	62,788,520	63,000,440	
Public Utilities	139,850	138,840	
 Tangible Personal Property			
General	84,797,650	86,950,110	
Public Utilities	25,556,760	24,974,180	
 Total Valuation	 \$ 326,338,150	 \$ 325,776,210	

**Note 6 – Receivables**

Receivables at June 30, 2005 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Non-major Governmental Funds:	
Title 1 Grant	\$ 80,787
Title VI Grant	2,298
Ohio Reads Grant	15,927
Federal Lunch and Breakfast Grant	43,361
Total Intergovernmental Receivable	\$ 142,373

**Buckeye Local School District**  
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**Note 7 – Capital Assets**

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

	Balance 7/1/2004	Addition	Deletion	Balance 6/30/2005
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 402,305	\$ -	\$ -	\$ 402,305
<i>Total Capital Assets, not being depreciated:</i>	402,305	-	-	402,305
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,006,116	258,924	-	6,265,040
Furniture, Equipment and Fixtures	2,814,574	27,793	(233,318)	2,609,049
Vehicles	1,649,576	59,795	(94,034)	1,615,337
Textbooks	402,625	6,240	-	408,865
<i>Total Capital Assets, being depreciated:</i>	10,872,891	352,752	(327,352)	10,898,291
Less Accumulated Depreciation:				
Building and Improvements	(4,159,969)	(80,125)	-	(4,240,094)
Furniture, Equipment, and Fixtures	(2,042,488)	(143,845)	233,318	(1,953,015)
Vehicles	(1,017,031)	(106,870)	94,034	(1,029,867)
Textbooks	(94,722)	(16,371)	-	(111,093)
<i>Total Accumulated Depreciation</i>	(7,314,210)	(347,211)	327,352	(7,334,069)
<i>Total Capital Assets being depreciated, net</i>	3,558,681	5,541	-	3,564,222
Governmental Activities Capital Assets, Net	<u>\$ 3,960,986</u>	<u>\$ 5,541</u>	<u>\$ -</u>	<u>\$ 3,966,527</u>

**Buckeye Local School District**  
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**Note 7 – Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	155,915
Vocational		2,884
Support Services:		
Pupil		1,997
Instructional Staff		6,017
Administration		1,965
Operation and Maintenance of Plant		56,040
Pupil Transportation		104,497
Central		2,593
Operation of Non-instructional Services		12,106
Extracurricular Activities		3,197
		<hr/>
Total Depreciation Expense	\$	<u>347,211</u>

**Note 8 – Interfund Balances**

**A. Interfund Transfers**

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

	<u>Transfer-In</u>	<u>Transfer-Out</u>
Major Governmental Fund		
General	\$ 80,900	\$ 48,262
Non-major Governmental Funds		
Food Service Fund	48,262	-
Athletic and Music Fund	-	80,900

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

**Buckeye Local School District**  
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**Note 8 – Interfund Balances – (Continued)**

***B. Interfund Receivable/Payable***

The interfund receivable/payable consisted of the following at June 30, 2005, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund		
General	\$ 174,587	\$ -
Non-major Governmental Funds		
Title 1 Targeted Assistance Grant	-	65,615
Ohio Reads Grant	-	12,815
Title 1 School Improvement Grant	-	75,614
Title V Innovative Programs Grant	-	2,298
Title IIA Teacher Quality Grant	-	11,558
Title IID Technology Grant	-	5,400
IVDL Grant	-	1,170
Public School Support Grant	-	117

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

**Note 9 – Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted is determined upon length of service. For fiscal year 2005, the superintendent, and director of curriculum and instruction were granted twenty days of vacation. Effective April 1, 2005 the interim treasurer was granted fifteen days of vacation prorated annually at a use or lose basis.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee’s anniversary date is expired and not available for use in a subsequent year unless approved by the superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

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**Note 9 – Compensated Absences – (Continued)**

The classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Weeks
1-8	2
9-13	3
14-beyond	4

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis; certified employees, 295 days and classified employees, 285 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement for certified personnel and a minimum of five consecutive years for classified personnel. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 67.5 days for certified employees and 67.5 days for classified employees.

**Note 10 - Defined Benefit Pension Plans**

***A. School Employees 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 State Statute per 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 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$468,522, \$415,019 and \$368,827

**Buckeye Local School District**  
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**Note 10 - Defined Benefit Pension Plans (Continued)**

respectively; 65.63 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Buckeye Local School District**  
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**Note 10 - Defined Benefit Pension Plans (Continued)**

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,315,325, \$1,135,684, and \$1,020,749 respectively; 77.63 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$4,563 made by the School District and \$4,346 made by plan members.

**Note 11 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$93,952 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2005 fiscal year equaled \$114,788.

**Buckeye Local School District**  
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**Note 11 - Postemployment Benefits – (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 12 – Risk Management**

***A. General Risk***

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

Professional liability insurance is maintained in the amount of \$1,000,000 for single occurrence and \$2,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and \$5,000,000 in the aggregate and an additional \$2,000,000 in uninsured motorists coverage. The District maintains replacement cost insurance on buildings and contents in the amount of \$46,473,200; musical instruments, \$400,000; and, computers and electronic equipment, \$1,000,000.

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

***B. Health Insurance***

In July 1987, the District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to insure its medical claims. The consortium currently includes seven member school districts. Contributions are determined by the consortium's board of directors. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District.

***C. Workers' Compensation***

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and 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 Ohio School Boards Association (OSBA). The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the

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**Note 12 – Risk Management – (Continued)**

participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**Note 13 – Notes and Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2005, are as follows:

	Principal Outstanding 7/1/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amounts Due in One Year
<b>Governmental Activities</b>					
1997 Energy Conservation Bonds	\$ 195,000	\$ -	\$ (60,000)	\$ 135,000	\$ 65,000
2003 Energy Conservation Bonds	380,000	-	(40,000)	340,000	40,000
Compensated Absences	1,183,522	-	(25,921)	1,157,601	200,878
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,758,522</u>	<u>-</u>	<u>(125,921)</u>	<u>\$ 1,632,601</u>	<u>\$ 305,878</u>

**1997 Energy Conservation Bonds** The District issued Energy Conservation Bonds in the amount of \$558,125 on July 15, 1996. The bonds mature in December 2006 and have an average interest rate of 5.7%. The annual maturities of the general obligation bonds as of June 30, 2005, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2006	65,000	1,995	66,995
FY 2007	70,000	-	70,000
Total	<u>\$ 135,000</u>	<u>\$ 1,995</u>	<u>\$ 136,995</u>

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

**Note 13 – Notes and Long-Term Debt – (Continued)**

**2003 Energy Conservation Bonds** The District issued Energy Conservation Bonds in the amount of \$463,415 on July 10, 2002. The bonds mature in December 2011 and have an average interest rate of 4.625%. The annual maturities of the general obligation bonds as of June 30, 2005, and related interest payments are as follows:

	Principal	Interest	Payment
FY 2006	40,000	14,800	54,800
FY 2007	45,000	12,834	57,834
FY 2008	45,000	10,753	55,753
FY 2009 and Thereafter	210,000	19,888	229,888
Total	\$ 340,000	\$ 58,275	\$ 398,275

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt. The District’s unvoted debt limit is \$326,338. The voted debt limit at June 30, 2003 is \$29,370,434.

**Note 14 – Jointly Governed Organizations and Public Entity Risk Pools**

**Northeast Ohio Management Information Network (NEOMIN)** NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

**North Kingsville Public Library** The North Kingsville Public Library (the Library) is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on the behalf of the Library, its role is limited to a

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

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**Note 14 – Jointly Governed Organizations and Public Entity Risk Pools – (Continued)**

ministerial function. The determination to request approval of tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Andover Public Library, Carole L. Vanek, Clerk/Treasurer, at 6006 Academy Street, Kingsville, Ohio 44048.

***Northeast Ohio Special Education Regional Resources Center (NEO/SERRC)*** NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for the children with disabilities and their parents.

NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate each year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

**Note 15 – Contingencies**

***A. Grants***

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 District at June 30, 2005.

***B. Litigation***

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2005.

**Note 16 – Millennium Inorganic Corporation Tax Refund Escrow Fund**

In anticipation of a pollution control equipment tax refund to the Millennium Inorganic Corporation, the District has set aside, within the general fund, the estimated tax refund of \$711,078. The Corporation has paid these taxes since 1993; figures used in the calculation of the refund were provided by Millennium Inorganic Corporation. The District has refunded \$439,807 and an additional partial refund is expected to occur within the next year.

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

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**Note 18 – Statutory Reserves**

The 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, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 (h), effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2003, the District had taken action to eliminate this reserve in accordance with Am. Sub. Senate Bill 345.

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute. The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. These extra amounts may be used to reduce the set-aside requirements of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

	Textbooks	Capital Improvement	Total
Set aside balance as of June 30, 2004	\$ (270,838)	\$ -	\$ (270,838)
Current year set-aside requirement	428,685	428,685	857,370
Offsets and Credits	-	(421,571)	(421,571)
Qualifying expenditures	<u>(230,375)</u>	<u>(296,956)</u>	<u>(527,331)</u>
Set aside balance as of June 30, 2005	<u>\$ (72,528)</u>	<u>\$ (289,842)</u>	<u>\$ (362,370)</u>
Balance that may be carried forward to offset FY 2006 expenditures	<u>\$ (72,528)</u>	<u>\$ -</u>	<u>\$ (72,528)</u>
Cash balance carried forward to FY2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 19 – Changes in Accounting Principles and Restatement of fund Balances**

**A. Changes in accounting principles**

For the fiscal year of 2005, the School District has implemented GASB Statement No. 40, “Deposits and Investment risk Disclosures”; and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”.

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

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**Note 19 – Changes in Accounting Principles and Restatement of Fund Balances –  
 (Continued)**

**B. Restatement of fund balances**

As a result of the implementation of the Technical Bulletin, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other post employment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

The restatement of fund balance is presented below:

Funds	General	Nonmajor Governmental Funds	Total
Fund balances at June 30, 2004	\$2,684,512	\$524,926	\$3,209,438
Restatement of intergovernmental payable	(43,663)	(23,554)	(67,217)
Restated fund balances at July 1, 2004	\$2,640,849	\$501,372	\$3,142,221

**Note 20 – Subsequent Event Issue 22 a 6.5 mill Operating Levy**

On May 3<sup>rd</sup> 2005, Issue 22, an additional tax of 6.5 mill operating levy for a continuing period of time commencing in 2005 first due in calendar year 2006 was passed. The certification from the county auditor on January 20, 2005 estimated the property tax revenue to be \$2,014,953 with a total tax valuation of 326,308,150. This information is from the certificate of estimated property tax revenue from the county auditor for the purpose of placing the issue on the ballot.

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**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	\$41,893	-	\$41,893
School Breakfast Program	05-PU 2002 05-PU 2003	10.553	\$ 12,520 38,147	-	\$ 12,520 38,147	-
<b>Subtotal -- School Breakfast Program</b>			<b>50,667</b>	<b>-</b>	<b>50,667</b>	<b>-</b>
National School Lunch Program	LL-P4-2002 LL-P4-2003	10.555	67,950 207,790	-	67,950 207,790	-
<b>Subtotal -- School National School Lunch Program</b>			<b>275,740</b>	<b>-</b>	<b>275,740</b>	<b>-</b>
<b>Total U.S. Department of Agriculture -- Nutrition Cluster</b>			<b>\$ 326,407</b>	<b>\$ 41,893</b>	<b>\$ 326,407</b>	<b>\$ 41,893</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1-2004 C1-S1-2005 C1-SD-2004 C1-SD-2005 C1-SK-2004 C1-SK-2005	84.010	45,999 208,016 (1,780) 18,075 14,417 40,562		50,105 273,456 (159) 12,247 5,925 55,593	
<b>Total -- Title I School Subsidy</b>			<b>325,289</b>		<b>397,167</b>	
Safe and Drug Free Schools Grant	DR-S1-2004 DR-S1-2005	84.186	(975) 10,970		- 10,635	
<b>Total - Safe and Drug Free Schools</b>			<b>9,995</b>		<b>10,635</b>	
Title V, Part A -- Innovative Educationa Program Strategies	C2-S1-2004 C2-S1-2005	84.298	(1,256) 2,226		- 2,226	
<b>Total - Title V Part A</b>			<b>970</b>		<b>2,226</b>	
Title II-D -- Technology Literacy Challenge Fund Grants	TJ-S1-2003 TJ-S1-2004 TJ-S1-2005	84.318	- 3,443 4,081		29 4,819 3,597	
<b>Total - Title II - D</b>			<b>7,524</b>		<b>8,445</b>	
Title II, Part A -- Improving Teacher Quality	TR-S1-2004 TR-S1-2005	84.367	- 57,476		3,199 67,765	
<b>Total - Title II Part A</b>			<b>57,476</b>		<b>70,964</b>	
<b>Total -- U.S. Department of Education</b>			<b>\$ 401,254</b>		<b>\$ 489,437</b>	
<b>Totals</b>			<b>\$ 727,661</b>	<b>\$ 41,893</b>	<b>\$ 815,844</b>	<b>\$ 41,893</b>

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

**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule is a summary of activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B- FOOD DISTRIBUTION**

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

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

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



## **Auditor of State Betty Montgomery**

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

Buckeye Local School District  
Ashtabula County  
3436 Edgewood Drive  
Ashtabula, Ohio 44004

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2006 wherein we noted the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 16, 2006 we reported one matter involving internal control over financial reporting we did not deem a reportable condition.

#### **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.

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

The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated May 16, 2006, 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 16, 2006



## Auditor of State Betty Montgomery

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

Buckeye Local School District  
Ashtabula County  
3436 Edgewood Drive  
Ashtabula, Ohio 44004

To the Board of Education:

#### Compliance

We have audited the compliance of Buckeye Local School District, Ashtabula County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Buckeye Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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

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



**Betty Montgomery**  
Auditor of State

May 16, 2006

**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
JUNE 30, 2005**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster –CFDA #'s- 10.550, 10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: > \$100,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

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

Finding Number	None
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**Auditor of State  
Betty Montgomery**

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**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA 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  
JUNE 27, 2006**