



Dave Yost • Auditor of State



**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To The Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Local School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Local School District, Ashtabula County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 23, 2016

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**Buckeye Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*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, 2015. 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 fiscal year 2015 are as follows:

*Overall:*

- For governmental activities, net position increased \$1,261,196 from fiscal year 2014.
- General revenues accounted for \$16,302,069 in revenue or 83 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,270,808 or 17 percent of total governmental revenues of \$19,572,877.
- The District had \$18,311,681 in expenses related to governmental activities; only \$3,270,808 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,302,069 coupled with the program revenues were adequate to provide for these programs this fiscal year.
- The general fund had \$17,688,397 in revenues and \$17,204,799 in expenditures on a modified accrual basis. The general fund's fund balance increased \$486,731 to \$4,456,087, from \$3,969,356 in fiscal year 2014, an increase of 12 percent.
- The District implemented GASB 68 during the fiscal year, which resulted in the inclusion of a net pension liability of \$21,368,179. For more information on this liability see Note 12 to the basic financial statements.

**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 Position* 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.

**Buckeye Local School District**  
Ashtabula County, Ohio

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**Reporting the District as a Whole**

*Statement of Net Position 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 fiscal year 2015?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position 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 Position 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 funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these 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 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

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

**Buckeye Local School District**  
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**The District as a Whole**

Table 1 shows net position for fiscal year 2015 as compared to fiscal year 2014

<b>Net Position (Table 1)</b>			
<b>Governmental Activities</b>			
	2015	(Restated) 2014	Increase (Decrease)
<b>Assets</b>			
Current and Other Assets	\$13,093,175	\$12,707,017	\$386,158
Capital Assets, Net	3,175,494	3,022,543	152,951
<i>Total Assets</i>	<u>16,268,669</u>	<u>15,729,560</u>	<u>539,109</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,730,889	1,392,596	338,293
<b>Liabilities</b>			
Current Liabilities	2,298,684	2,165,135	133,549
Long-Term Liabilities			
Due within One Year	42,739	53,950	(11,211)
Due in More than One Year:			
Net Pension Liability	21,368,179	25,393,075	(4,024,896)
Other Amounts	983,221	1,019,593	(36,372)
<i>Total Liabilities</i>	<u>24,692,823</u>	<u>28,631,753</u>	<u>(3,938,930)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,389,602	5,702,690	(313,088)
Pension	3,868,224	0	3,868,224
<i>Total Deferred Inflows of Resources</i>	<u>9,257,826</u>	<u>5,702,690</u>	<u>3,555,136</u>
<b>Net Position</b>			
Net Investment in Capital Assets	3,175,494	3,022,543	152,951
Restricted	680,532	642,268	38,264
Unrestricted (Deficit)	(19,807,117)	(20,877,098)	1,069,981
<i>Total Net Position</i>	<u>(\$15,951,091)</u>	<u>(\$17,212,287)</u>	<u>\$1,261,196</u>

During 2015, the District adopted GASB Statement No 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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Under the new standards required by GASB No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

As a result of implementing GASB No. 68, the District is reporting a net pension liability and deferred outflows and inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$6,788,192 to a negative \$17,212,287.

Total assets increased by \$539,109. This increase can be attributed to an increase in capital assets and cash equivalents on hand at fiscal year-end.

Total liabilities decreased by \$3,938,930, due mostly to a decrease in net pension liability from the prior year. The overall decrease in liabilities is 14 percent.

Deferred inflows of resources for property taxes remained fairly consistent with the prior year, decreasing just over 5 percent.

**Buckeye Local School District**  
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By comparing assets, liabilities and deferred inflows of resources, one can see the overall position of the School District has increased as evidenced by the increase in net position of \$1,261,196.

**Table 2**  
Change in Net Position

	2015	(Restated) 2014	Increase (Decrease)
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$2,206,504	\$1,800,861	\$405,643
Operating Grants and Contributions	1,064,304	1,097,367	(33,063)
<i>Total Program Revenues</i>	<u>3,270,808</u>	<u>2,898,228</u>	<u>372,580</u>
<b>General Revenues</b>			
Property Taxes	6,313,783	6,157,698	156,085
Intergovernmental	9,833,554	9,464,214	369,340
Investment Earnings	19,276	21,010	(1,734)
Miscellaneous	129,928	69,733	60,195
Gain on Sale of Capital Assets	5,528	0	5,528
<i>Total General Revenues</i>	<u>16,302,069</u>	<u>15,712,655</u>	<u>589,414</u>
<i>Total Revenues</i>	<u>19,572,877</u>	<u>18,610,883</u>	<u>961,994</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	8,723,178	8,992,229	(269,051)
Special	1,851,916	2,170,616	(318,700)
Vocational	232,242	245,016	(12,774)
Adult/Continuing	7,939	30,895	(22,956)
Support Services:			
Pupil	1,121,818	633,315	488,503
Instructional Staff	327,907	236,439	91,468
Board of Education	22,006	38,771	(16,765)
Administration	1,351,632	1,361,443	(9,811)
Fiscal	435,924	485,520	(49,596)
Business	81,247	86,806	(5,559)
Operation and Maintenance of Plant	1,849,140	1,766,402	82,738
Pupil Transportation	1,047,461	1,202,633	(155,172)
Central	48,607	81,625	(33,018)
Operation of Food Services	683,281	764,043	(80,762)
Extracurricular Activities	527,383	531,479	(4,096)
Interest and Fiscal Charges	0	680	(680)
<i>Total Program Expenses</i>	<u>18,311,681</u>	<u>18,627,912</u>	<u>(316,231)</u>
<i>Change in Net Position</i>	1,261,196	(17,029)	1,278,225
Net Position Beginning of Year - Restated	<u>(17,212,287)</u>	n/a	n/a
<i>Net Position End of Year</i>	<u><u>(\$15,951,091)</u></u>	<u><u>(\$17,212,287)</u></u>	<u><u>\$1,261,196</u></u>

**Buckeye Local School District**  
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The information necessary to restate the fiscal year 2014 beginning balances and fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,392,596 computed under GASB No. 27. GASB No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB No. 68, the fiscal year 2015 statements report pension expense of \$1,034,387.

In order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total fiscal year 2015 GASB 68 program expenses	\$18,311,681
Plus:	
2015 pension expense	(1,034,387)
2015 contractually required contributions	<u>1,529,352</u>
<i>Adjusted 2015 Program Expense</i>	<u><u>\$18,806,646</u></u>

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 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 32 percent of governmental activities revenue for Buckeye Local School District in fiscal year 2015, a decrease of one percent from fiscal year 2014.

***Governmental Activities***

Total net position of the School District increased \$1,261,196 during fiscal year 2015. The governmental expenses of \$18,311,681 were offset by program revenues of \$3,270,808 and general revenues of \$16,302,069. Program revenues supported 18 percent of the total governmental activities expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 83 percent of total governmental revenue.

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.

**Buckeye Local School District**  
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*Management's Discussion and Analysis*  
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**Table 3**  
Total and Net Cost of Program Services

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction	\$10,815,275	\$8,438,776	\$11,438,756	\$9,547,969
Support Services:				
Pupil	1,121,818	1,119,343	633,315	620,361
Instructional Staff	327,907	294,323	236,439	173,881
Board of Education	22,006	22,006	38,771	38,771
Administration	1,351,632	1,351,632	1,361,443	1,361,443
Fiscal	435,924	435,924	485,520	485,520
Business	81,247	81,247	86,806	86,806
Operation and Maintenance of Plant	1,849,140	1,849,140	1,766,402	1,766,402
Pupil Transportation	1,047,461	1,047,461	1,202,633	1,191,142
Central	48,607	48,607	81,625	78,657
Food Service Operation	683,281	14,863	764,043	34,216
Extracurricular Activities	527,383	337,551	531,479	343,836
Interest and Fiscal Charges	0	0	680	680
<i>Total Expenditures</i>	<u>\$18,311,681</u>	<u>\$15,040,873</u>	<u>\$18,627,912</u>	<u>\$15,729,684</u>

The dependence upon general tax revenues for governmental activities is apparent. Over 58 percent of instruction activities are supported through property taxes alone. For all governmental activities, general revenue and prior year cash balances 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 regarding the School District's major funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,576,301 to offset expenditures of \$19,007,180. The net change in fund balance for the year was most significant in the general fund, which increased \$486,731. This increase in fund balance is due to revenues exceeding expenditures during the fiscal year. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenue and property taxes are the largest revenue sources, accounting for nearly 88 percent of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Buckeye Local School District.

***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 2015 the District amended its General Fund budget several 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.

**Buckeye Local School District**  
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For the General Fund, actual revenue, including other financing sources, was \$17,402,110, which was \$4,845 more than the final budgeted revenue of \$17,397,265 and \$748,702 more than the original budget estimate of \$16,653,408. The District continues to use a conservative approach of estimating revenue and these variances are well within reason for an entire year of budgeting.

Total actual expenditures, including other financing uses, were \$17,383,987, which was \$718,324 less than final budgeted expenditures and \$1,199,291 less than original budgeted expenditures of \$18,583,278. The variance from the original estimate is the result of a conservative, worst case scenario approach used by the District when planning out the original budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the School District had \$3,175,494 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks.

Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

**Table 4**  
Capital Assets at June 30 (Net of Depreciation)

	<u>2015</u>	<u>2014</u>
Land	\$402,305	\$402,305
Land Improvements	246,506	216,725
Buildings and Improvements	1,582,996	1,324,820
Furniture, Fixtures and Equipment	409,185	423,027
Vehicles	491,297	610,461
Textbooks	<u>43,205</u>	<u>45,205</u>
<i>Total</i>	<u><u>\$3,175,494</u></u>	<u><u>\$3,022,543</u></u>

All capital assets, except land, are reported net of depreciation. As one can see, the School District had an overall increase in capital assets of \$152,951. The increase is due to current year additions of \$429,741 exceeding depreciation of \$274,403 and net deletions of \$2,387. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

***Debt***

The School District did not issue or have any outstanding long-term debt during the fiscal year.

**Current Financial Related Activities**

The challenge for Buckeye Local Schools to educate children on a stringent budget is getting even more difficult for our School District. Of the operating funds the School District received in fiscal year 2015, approximately 32 percent were from local property and public utility taxes, 36 percent from the State Foundation funding system, 20 percent from the State through the Homestead/Rollback and tangible personal property reimbursements and 11 percent from other local funds. Of the other local funds category, open enrollment accounted for 76 percent of those funds. Declining enrollment of our own student population has allowed the District to accept students from other Districts and receive payment through the State for those students, which is identified as open enrollment.

**Buckeye Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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Despite the funding structure of public education in Ohio, Buckeye Local School District has maintained financial stability through difficult times. As the preceding information shows, the District depends on its property taxpayers as well as state funding, including the tangible personal property tax reimbursements, for its revenue sources. With the passage of a 6.5 mill continuous operating levy in 2005, the District has been able to continue its education programs. However, financially the future is not without its challenges. Recently passed legislation reduced the tangible personal property tax reimbursements from the State by \$220,000 in fiscal year 2017, and then an additional decline of \$143,000 each year until the funds are depleted. Additionally, the total tangible personal property tax reimbursement to the permanent improvement fund has been discontinued for fiscal year 2017 forward. This is a loss of \$76,000 each year, or 25% of that budget each year. This decline necessitates the use of general fund dollars to maintain buildings and/or purchase equipment. Buckeye will continue to keep a tight watch on funds and will do so with little revenue growth from year to year. Circumstances will necessitate continuing to manage our financial resources in a prudent and conservative manner coupled with a combination of cost reductions and the possibility of additional levies to create revenue growth.

State law fixes the amount of tax revenue, forcing it to remain constant except for increases in valuation due to new construction in the District. Thus management must diligently plan expenses, staying carefully within the District's five-year forecast.

In fiscal year 2016, discussions with the Board of Education will be needed to determine how to address any projected shortfalls. The District will continue to call upon all of its financial abilities to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's needs over the next several years.

**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 Michelle Tullai, Treasurer, at Buckeye Local School District, 3436 Edgewood Drive, Ashtabula, Ohio 44004.

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**Buckeye Local School District**

Ashtabula County, Ohio

*Statement of Net Position  
June 30, 2015*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,257,109
Accrued Interest Receivable	4,386
Accounts Receivable	1,498
Intergovernmental Receivable	27,930
Property Taxes Receivable	6,699,835
Inventory Held for Resale	26,203
Materials and Supplies Inventory	76,214
Nondepreciable Capital Assets	402,305
Depreciable Capital Assets, Net	2,773,189
<i>Total Assets</i>	<u>16,268,669</u>
<b>Deferred Outflows of Resources</b>	
Pension:	
STRS	1,270,091
SERS	460,798
<i>Total Deferred Outflows of Resources</i>	<u>1,730,889</u>
<b>Liabilities</b>	
Accounts Payable	138,178
Accrued Wages and Benefits Payable	1,163,264
Intergovernmental Payable	424,583
Matured Compensated Absences Payable	110,282
Claims Payable	462,377
Long-Term Liabilities:	
Due Within One Year	42,739
Due In More Than One Year:	
Net Pension Liability (See Note 12)	21,368,179
Other Amounts Due in More than One Year	983,221
<i>Total Liabilities</i>	<u>24,692,823</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	5,389,602
Pension:	
STRS	3,260,721
SERS	607,503
<i>Total Deferred Inflows of Resources</i>	<u>9,257,826</u>
<b>Net Position</b>	
Net Investment in Capital Assets	3,175,494
Restricted for:	
Capital Projects	430,936
Other Purposes	249,596
Unrestricted	(19,807,117)
<i>Total Net Position</i>	<u>(\$15,951,091)</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**

Ashtabula County, Ohio

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2015*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$8,723,178	\$1,510,826	\$112,093	(\$7,100,259)
Special	1,851,916	263,314	436,974	(1,151,628)
Vocational	232,242	40,992	0	(191,250)
Adult/Continuing	7,939	0	12,300	4,361
Support Services:				
Pupils	1,121,818	0	2,475	(1,119,343)
Instructional Staff	327,907	0	33,584	(294,323)
Board of Education	22,006	0	0	(22,006)
Administration	1,351,632	0	0	(1,351,632)
Fiscal	435,924	0	0	(435,924)
Business	81,247	0	0	(81,247)
Operation and Maintenance of Plant	1,849,140	0	0	(1,849,140)
Pupil Transportation	1,047,461	0	0	(1,047,461)
Central	48,607	0	0	(48,607)
Operation of Food Services	683,281	213,914	454,504	(14,863)
Extracurricular Activities	527,383	177,458	12,374	(337,551)
<i>Total Governmental Activities</i>	<u>\$18,311,681</u>	<u>\$2,206,504</u>	<u>\$1,064,304</u>	<u>(15,040,873)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				5,911,563
				402,220
Grants and Entitlements not				
				9,833,554
				19,276
				129,928
				5,528
				<u>16,302,069</u>
				1,261,196
				<i>Net Position Beginning</i>
				<i>of Year - Restated (See Note 3)</i>
				<u>(17,212,287)</u>
				<u>(\$15,951,091)</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**

Ashtabula County, Ohio

*Balance Sheet  
Governmental Funds  
June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,563,807	\$693,302	\$6,257,109
Accrued Interest Receivable	4,386	0	4,386
Accounts Receivable	1,498	0	1,498
Interfund Receivable	51,000	0	51,000
Intergovernmental Receivable	3,787	24,143	27,930
Property Taxes Receivable	6,272,385	427,450	6,699,835
Inventory Held for Resale	0	26,203	26,203
Materials and Supplies Inventory	72,904	3,310	76,214
<i>Total Assets</i>	<u>\$11,969,767</u>	<u>\$1,174,408</u>	<u>\$13,144,175</u>
<b>Liabilities</b>			
Accounts Payable	\$135,644	\$2,534	\$138,178
Accrued Wages and Benefits Payable	1,113,512	49,752	1,163,264
Intergovernmental Payable	402,524	22,059	424,583
Matured Compensated Absences Payable	110,282	0	110,282
Interfund Payable	0	51,000	51,000
Claims Payable	462,377	0	462,377
<i>Total Liabilities</i>	<u>2,224,339</u>	<u>125,345</u>	<u>2,349,684</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,051,563	338,039	5,389,602
Unavailable Revenue - Property Taxes	237,778	17,953	255,731
Unavailable Revenue - Grants	0	24,143	24,143
<i>Total Deferred Inflows of Resources</i>	<u>5,289,341</u>	<u>380,135</u>	<u>5,669,476</u>
<b>Fund Balances</b>			
Nonspendable	72,904	3,310	76,214
Restricted	0	400,811	400,811
Committed	462,377	264,807	727,184
Assigned	145,679	0	145,679
Unassigned	3,775,127	0	3,775,127
<i>Total Fund Balances</i>	<u>4,456,087</u>	<u>668,928</u>	<u>5,125,015</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,969,767</u>	<u>\$1,174,408</u>	<u>\$13,144,175</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2015*

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<b>Total Governmental Fund Balances</b>		<b>\$5,125,015</b>
<b><i>Amounts reported for governmental activities in the statement of net position are different because</i></b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,175,494
Other long-term assets are not available to pay for current- period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	255,731	
Grants	<u>24,143</u>	
Total		279,874
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
STRS	(17,625,157)	
SERS	<u>(3,743,022)</u>	
Total		(21,368,179)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
STRS	1,270,091	
SERS	<u>460,798</u>	
Total		1,730,889
Deferred inflows of resources related to pensions:		
STRS	(3,260,721)	
SERS	<u>(607,503)</u>	
Total		(3,868,224)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		<u>(1,025,960)</u>
<i>Net Position of Governmental Activities</i>		<u><u>(\$15,951,091)</u></u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$5,882,643	\$400,521	\$6,283,164
Tuition and Fees	1,815,132	0	1,815,132
Interest	19,066	210	19,276
Charges for Services	0	213,914	213,914
Extracurricular Activities	71,730	103,543	175,273
Rentals	2,185	0	2,185
Contributions and Donations	12,010	23,924	35,934
Intergovernmental	9,764,858	1,136,637	10,901,495
Miscellaneous	120,773	9,155	129,928
<i>Total Revenues</i>	<u>17,688,397</u>	<u>1,887,904</u>	<u>19,576,301</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	8,716,060	120,927	8,836,987
Special	1,526,443	364,072	1,890,515
Vocational	260,605	0	260,605
Adult/Continuing	0	7,939	7,939
Support Services:			
Pupils	1,163,971	6,300	1,170,271
Instructional Staff	301,019	30,833	331,852
Board of Education	23,631	0	23,631
Administration	1,425,083	0	1,425,083
Fiscal	460,786	8,482	469,268
Business	86,784	0	86,784
Operation and Maintenance of Plant	1,777,014	240,716	2,017,730
Pupil Transportation	951,753	0	951,753
Central	46,554	0	46,554
Operation of Food Services	0	677,892	677,892
Extracurricular Activities	451,338	111,276	562,614
Capital Outlay	13,758	233,944	247,702
<i>Total Expenditures</i>	<u>17,204,799</u>	<u>1,802,381</u>	<u>19,007,180</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	483,598	85,523	569,121
<b>Other Financing Sources</b>			
Proceeds from Sale of Capital Assets	3,133	2,395	5,528
<i>Net Change in Fund Balances</i>	486,731	87,918	574,649
<i>Fund Balance Beginning of Year</i>	3,969,356	581,010	4,550,366
<i>Fund Balance End of Year</i>	<u>\$4,456,087</u>	<u>\$668,928</u>	<u>\$5,125,015</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
Ashtabula County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** \$574,649

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

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

Capital Outlay	429,741	
Current Year Depreciation	(274,403)	
Total		155,338

The net effect of various transactions involving capital assets  
(i.e.; disposals and sales) is a decrease in net position.

Assets Disposed	(482,148)	
Accumulated Depreciation on Disposals	479,761	
Total		(2,387)

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

Property Taxes	30,619	
Intergovernmental Grants	(39,571)	
Total		(8,952)

Governmental funds report district pension contributions as expenditures.  
However, in the statement of activities, the cost of pension benefits  
earned net of employee contributions is reported as pension expense.

Direct pension contributions		
STRS	1,100,411	
SERS	428,941	
Total		1,529,352
Cost of benefits earned net of employee contributions		
STRS	(814,267)	
SERS	(220,120)	
Total		(1,034,387)

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

47,583

*Change in Net Position of Governmental Activities* \$1,261,196

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property & Other Local Taxes	\$5,516,912	\$5,631,060	\$5,631,060	\$0
Tuition and Fees	1,191,266	1,781,077	1,781,077	0
Interest	16,886	18,100	18,100	0
Extracurricular Activities	60,000	71,730	71,730	0
Rentals	1,666	2,013	2,013	0
Contributions and Donations	0	5,260	5,260	0
Intergovernmental	9,854,705	9,761,071	9,761,071	0
Miscellaneous	1,758	1,761	1,761	0
<i>Total Revenues</i>	<u>16,643,193</u>	<u>17,272,072</u>	<u>17,272,072</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,207,640	8,962,638	8,783,630	179,008
Special	1,608,615	1,565,581	1,535,230	30,351
Vocational	231,540	225,530	214,910	10,620
Support Services:				
Pupils	1,167,782	1,136,457	1,120,090	16,367
Instructional Staff	309,796	301,533	296,172	5,361
Board of Education	33,188	32,299	32,041	258
Administration	1,485,891	1,446,307	1,423,929	22,378
Fiscal	502,271	488,908	517,059	(28,151)
Business	95,554	93,021	92,163	858
Operation and Maintenance of Plant	1,905,729	1,855,158	1,851,140	4,018
Pupil Transportation	1,009,548	982,874	966,693	16,181
Central	42,971	41,811	41,060	751
Extracurricular Activities	454,958	442,788	445,112	(2,324)
Capital Outlay	14,418	14,029	13,758	271
<i>Total Expenditures</i>	<u>18,069,901</u>	<u>17,588,934</u>	<u>17,332,987</u>	<u>255,947</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,426,708)</u>	<u>(316,862)</u>	<u>(60,915)</u>	<u>255,947</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	215	1,861	3,133	1,272
Refund of Prior Year Expenditure	10,000	100,000	103,573	3,573
Advances In	0	23,332	23,332	0
Advances Out	(51,000)	(51,000)	(51,000)	0
Transfers Out	(462,377)	(462,377)	0	462,377
<i>Total Other Financing Sources (Uses)</i>	<u>(503,162)</u>	<u>(388,184)</u>	<u>79,038</u>	<u>467,222</u>
<i>Net Change in Fund Balance</i>	<u>(1,929,870)</u>	<u>(705,046)</u>	<u>18,123</u>	<u>723,169</u>
<i>Fund Balance Beginning of Year</i>	<u>4,911,173</u>	<u>4,911,173</u>	<u>4,911,173</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>239,933</u>	<u>239,933</u>	<u>239,933</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,221,236</u>	<u>\$4,446,060</u>	<u>\$5,169,229</u>	<u>\$723,169</u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**

Ashtabula County, Ohio

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2015*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$110,302</u>	<u>\$29,052</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$29,052</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$110,302</u>	

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
Ashtabula County, Ohio

*Statement of Changes in Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2015*

	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$58
Contributions and Donations	<u>1,000</u>
<i>Total Additions</i>	1,058
<b>Deductions</b>	
Scholarships Awarded	<u>4,000</u>
<i>Change in Net Position</i>	(2,942)
<i>Net Position Beginning of Year</i>	<u>113,244</u>
<i>Net Position End of Year</i>	<u><u>\$110,302</u></u>

See accompanying notes to the basic financial statements

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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 July 1, 2015 was 1,665. The District employed 122 certified employees and 74 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* as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 ad No. 34”. 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.

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.

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**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 more significant of the District's accounting policies are described below.

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

**Fiduciary Fund Types** Fiduciary funds reporting focuses on net position and changes in net position. 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.

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

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

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Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide of statement of net position (see Note 12).

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

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

***E. 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:

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**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 re-appropriated. 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.

**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 re-appropriated.

**F. 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 Cash Equivalents." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements 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, 2015.

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, the Food Service special revenue fund, the Special Trust special revenue fund, the Capital Projects Reserve capital projects fund and the Private-Purpose Trust Fund, as authorized by board resolution.

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Interest revenue credited to the general fund during fiscal year 2015 amounted to \$19,066, which includes \$1,491 assigned from other District funds.

**G. Inventory**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is one thousand dollars for the current fiscal year. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture	20 years
Equipment	5 - 20 years
Fixtures	15 years
Vehicles	8 - 10 years
Textbooks	5 - 10 years

**J. Interfund Balances**

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

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***K. Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***L. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

***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 that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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. Leases and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

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***N. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***O. Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other

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governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

***P. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***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.

**Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position**

***A. Change in Accounting Principles***

For fiscal year 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, Statement No. 69, “Government Combinations and Disposals of Government Operations”, and Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The implementation of GASB 68 resulted in an overall restatement of beginning net position, as previously reported.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires the use of carrying values to measure the assets and liabilities in a government merger. It also requires measurements of assets acquired and liabilities assumed to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. Disclosures about government combinations and disposals of government operations are required to enable financial statement users to evaluate the nature and financial effects of those transactions. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

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GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB 71 resulted in an overall restatement of beginning net position, as previously reported.

**B. Restatement of Prior Year Net Position**

	Governmental Activities
Net Position at June 30, 2014, as Previously Reported	\$6,788,192
<i>Implementation of GASB 68 &amp; GASB 71:</i>	
Net Pension Liability - STRS	(20,994,971)
Net Pension Liability - SERS	(4,398,104)
<i>Deferred Outflows - District's Contributions Made</i>	
<i>During Fiscal Year 2014</i>	
STRS	1,093,040
SERS	299,556
Adjusted Net Position at June 30, 2014	(\$17,212,287)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting its 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 Balance - Budget (Non-GAAP 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 (modified accrual) basis are as follows:

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 (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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5. \*Certain funds have legally separate adopted budgets (budget basis) but are included in the General Fund (GAAP basis).

\*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the uniform school supplies and public school support special revenue funds.

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	
GAAP Basis	\$486,731
Net Adjustment for Revenue Accruals	(313,461)
Advances In	23,332
Net Adjustment for Expenditure Accruals	191,261
Net Adjustment for Funds Budgeted as Special Revenue	709
Advances Out	(51,000)
Adjustment for Encumbrances	<u>(319,449)</u>
Budget Basis	<u><u>\$18,123</u></u>

**Note 5 – Deposits 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.

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

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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 (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits**

***Custodial Credit Risk*** 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 June 30<sup>th</sup>, the carrying amount of all School District deposits was \$5,951,364, while \$1,447,283 of the School District's bank balance of \$6,221,495 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, 2015, the School District had STAR Ohio as the only investment with an amount of \$445,099 and an average maturity less than six months.

***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.

***Credit Risk*** STAR Ohio 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 addresses credit risk.

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**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 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. At June 30, 2015, STAR Ohio represented 100 percent of all District investments.

**Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and cash equivalents as reported on the statement of net position as of June 30, 2015:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$5,951,364
Investments	445,099
Total	<u>\$6,396,463</u>
 <u>Cash and Cash Equivalents per Statement of Net Position</u>	
Governmental activities	\$6,257,109
Private-purpose trust funds	110,302
Agency funds	29,052
Total	<u>\$6,396,463</u>

**Note 6 – Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represent collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$983,044 in the general fund and \$71,458 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2014, was \$731,461 in the general fund and \$51,861 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$214,957,650	92.5%	\$206,665,220	91.1%
Public Utility Personal	18,728,560	7.5%	20,202,800	8.9%
	\$233,686,210	100.0%	\$226,868,020	100.0%
Tax Rate per \$1,000 of assessed valuation	\$45.31		\$45.31	

**Note 7 – Receivables**

Receivables at June 30, 2015 consisted of accrued interest, accounts, taxes 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:

General Fund:	
Medicaid Reimbursement	\$3,787
Non-major Governmental Funds:	
Title I Grant	\$10,418
Improving Teacher Quality Grant	13,725
Total Intergovernmental Receivable	\$27,930

**Buckeye Local School District**  
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**Note 8 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental	Total
<b><i>Nonspendable</i></b>			
Inventory	\$72,904	\$3,310	\$76,214
<b><i>Restricted for</i></b>			
Food Service Operations	0	130,411	130,411
College Scholarships	0	18,059	18,059
Technology Improvements	0	6,275	6,275
Extracurricular Activities	0	82,143	82,143
Special Education	0	11,926	11,926
Classroom Size Reduction	0	1,775	1,775
Teacher Development	0	167	167
Capital Improvements	0	148,176	148,176
Other Purposes	0	1,879	1,879
<i>Total Restricted</i>	0	400,811	400,811
<b><i>Committed to</i></b>			
Capital Improvements	0	264,807	264,807
Tax Escrow Refunds	462,377	0	462,377
<i>Total Committed</i>	462,377	264,807	727,184
<b><i>Assigned to</i></b>			
Other Purposes	28,808	0	28,808
Encumbrances	116,871	0	116,871
<i>Total Assigned</i>	145,679	0	145,679
<b><i>Unassigned (Deficit)</i></b>	<b>3,775,127</b>	<b>0</b>	<b>3,775,127</b>
<b><i>Total Fund Balances</i></b>	<b>\$4,456,087</b>	<b>\$668,928</b>	<b>\$5,125,015</b>

**Buckeye Local School District**  
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**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$402,305	\$0	\$0	\$402,305
<b>Capital Assets, being depreciated:</b>				
Land Improvements	604,557	44,120	0	648,677
Buildings and Improvements	6,365,138	307,172	0	6,672,310
Furniture, Equipment and Fixtures	2,122,389	57,953	(458,955)	1,721,387
Vehicles	1,706,567	8,205	(23,193)	1,691,579
Textbooks	1,150,161	12,291	0	1,162,452
<b>Total Capital Assets, being depreciated</b>	<b>11,948,812</b>	<b>429,741</b>	<b>(482,148)</b>	<b>11,896,405</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(387,832)	(14,339)	0	(402,171)
Building and Improvements	(5,040,318)	(48,996)	0	(5,089,314)
Furniture, Equipment and Fixtures	(1,699,362)	(69,408)	456,568	(1,312,202)
Vehicles	(1,096,106)	(127,369)	23,193	(1,200,282)
Textbooks	(1,104,956)	(14,291)	0	(1,119,247)
<b>Total Accumulated Depreciation</b>	<b>(9,328,574)</b>	<b>(274,403)</b>	<b>479,761</b>	<b>(9,123,216)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>2,620,238</b>	<b>155,338</b>	<b>(2,387)</b>	<b>2,773,189</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$3,022,543</b>	<b>\$155,338</b>	<b>(\$2,387)</b>	<b>\$3,175,494</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$58,399
Vocational	494
Support Services:	
Instructional Staff	706
Administration	375
Operation and Maintenance of Plant	67,890
Pupil Transportation	134,347
Central	2,053
Operation of Food Services	4,000
Extracurricular Activities	6,139
<b>Total Depreciation Expense</b>	<b>\$274,403</b>

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**Note 10 – Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2015, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$51,000	\$0
Non-major Governmental Funds:		
Title I	0	28,000
Improving Teacher Quality	0	23,000
Total	\$51,000	\$51,000

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, which is expected to be within one year.

**Note 11 – 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 are determined by an employees' length of service with the District.

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. The classified personnel accumulate vacation based on the following schedule:

Years of 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 75 days for classified employees and for certified employees there is no max.

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**Note 12 – Defined Benefit Pension Plans**

***A. Net Pension Liability***

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had an effect on beginning net position as reported at June 30, 2014 (see Note 3). The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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**B. School Employees Retirement System**

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire on or After 1-Aug-17
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$428,941 for the fiscal year ended June 30, 2015. Of this amount \$138,220 was reported as an intergovernmental payable.

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*Notes to the Basic Financial Statements*  
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**C. State Teachers Retirement System**

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,100,411 for the fiscal year ended June 30, 2015. Of this amount \$173,332 was reported as an intergovernmental payable.

***D. Pension Liabilities, Pension Expense and Deferred Outflows of resources and Deferred inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,743,022	\$17,625,157	\$21,368,179
Proportion of the Net Pension Liability	0.07395900%	0.07246155%	
Pension Expense	\$220,120	\$814,267	\$1,034,387

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$31,857	\$169,680	\$201,537
District contributions subsequent to the measurement date	428,941	1,100,411	1,529,352
Total Deferred Outflows of Resources	\$460,798	\$1,270,091	\$1,730,889
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$607,503	\$3,260,721	\$3,868,224

\$1,529,352 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
<b>Fiscal Year Ending June 30:</b>			
2016	(\$143,911)	(\$772,760)	(\$916,671)
2017	(143,911)	(772,760)	(916,671)
2018	(143,912)	(772,760)	(916,672)
2019	(143,912)	(772,761)	(916,673)
Total	(\$575,646)	(\$3,091,041)	(\$3,666,687)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation	4.00 Percent to 22 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.75 Percent Net of Investments Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the

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expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$5,340,181	\$3,743,022	\$2,399,674

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 20
Investment Rate of Return	7.75 Percent, Net of Investment Expenses
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

<u></u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's Proportionate Share of the Net Pension Liability	\$25,232,334	\$17,625,157	\$11,192,045

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*Notes to the Basic Financial Statements*  
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**Note 13 – Postemployment Benefits**

***A. School Employees Retirement System***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$36,399.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$16,918, \$17,789 and \$19,331, respectively. For fiscal year 2015, 49 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

***B. State Teachers Retirement System of Ohio***

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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*For the Fiscal Year Ended June 30, 2015*

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$74,480, and \$71,701 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

**Note 14 – Risk Management**

***A. Property and Liability***

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

Professional liability insurance is maintained in the amount of \$1,000,000 for single occurrence and \$3,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$5,000,000 for any one accident or loss and \$5,000,000 in the aggregate and an additional \$1,000,000 in uninsured motorists' coverage. The School District maintains replacement cost insurance on buildings and contents in the amount of \$71,260,743.

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

***B. Employee Medical Benefits***

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District is not liable nor receives a cash balance of past claims upon departure from the pool.

***C. Workers' Compensation***

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool, which was established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School business Officials Workers' Compensation Group Rating Program (the Program) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program 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 Comp Management Inc., provides administrative, cost control and actuarial services to the GRP.

**Note 15 – 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 \$462,377. 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 \$688,508 in previous fiscal years.

**Note 16 – Long-Term Obligations**

A summary of changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Outstanding 6/30/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
<b>Governmental Activities</b>					
Compensated Absences	\$1,073,543	\$6,367	(\$53,950)	\$1,025,960	\$42,739
Net Pension Liability:					
STRS	20,994,971	0	(3,369,814)	17,625,157	0
SERS	4,398,104	0	(655,082)	3,743,022	0
Total Net Pension Liability	<u>25,393,075</u>	<u>0</u>	<u>(4,024,896)</u>	<u>21,368,179</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$26,466,618</u>	<u>\$6,367</u>	<u>(\$4,078,846)</u>	<u>\$22,394,139</u>	<u>\$42,739</u>

Compensated absences will be paid from the general fund and the food service and Title I special revenue funds.

The District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$20,418,212 with an unvoted debt margin of \$226,869 at June 30, 2015.

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 17 – Jointly Governed Organizations and Related Organizations**

***Northeast Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among various 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 voting members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and one treasurer from each of the aforementioned counties (non-voting members who must be employed by a participating school district, the fiscal agent, or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A copy of NEOMIN's financial statements may be obtained from the Trumbull County Education Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

***Kingsville Public Library*** The Kingsville Public Library (the Library) is a distinct 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 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 Kingsville Public Library, Christine Stevens, Fiscal Officer, at 6006 Academy Street, Kingsville, Ohio 44048.

***State Support Team (SST) – Region 5*** The District participates in the State Support Team (SST), an Educational Regional Service System (ERSS). The mission of the SST is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resource Centers (SERRCs) and the Regional School Improvement Teams (RSITs).

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts and schools. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512.

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Ashtabula County Technical & Career Center** The Ashtabula County Career & Technical Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2015. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

**Note 18 – Contingencies**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2015.

**C. School District Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**Note 19 – Set Asides**

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

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	311,759
Qualifying Disbursements	(485,463)
Current Year Offsets	0
Total	(\$173,704)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Cash balance as of June 30, 2015	\$0

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

**Note 20 – Capital Leases**

In a prior fiscal year, the School District entered into a lease agreement for the purchase of school busses. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and amended by Governmental Accounting Standards Board Statement Number 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA announcements,” and has been recorded on the government-wide statements. These vehicles have been capitalized in the amount of \$284,372, the present value of the minimum lease payments at the inception of the leases.

The assets acquired through the capital leases are as follows:

<i>Asset:</i>	Governmental Activities
Vehicles	\$284,372
Less: Accumulated Depreciation	(169,306)
Total Book Value as of June 30, 2015	\$115,066

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the permanent improvement capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

**Buckeye Local School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 21 – Public Entity Risk Pools**

***A. Ohio Association of School Business Officials Workers' Compensation Group Rating Program***

The District participates in a group-rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (the Program) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

***B. Ashtabula County Schools Council of Governments***

The District has contracted with the Ashtabula County Schools Council of Governments ("the Council") to provide employee medical/surgical, prescription drug, dental and vision benefits. The Council is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County School districts. Rates are set by the Council's board of directors. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District. The Council shall pay the run out claims for a withdrawing member. Any member which withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets.

**Buckeye Local School District**

Ashtabula County, Ohio

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net Pension Liability*

*School Employees Retirement System of Ohio (SERS)*

*Last Two Fiscal Years (1)*

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	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.07395900%	0.07395900%
School District's Proportionate Share of the Net Pension Liability	\$3,743,022	\$4,398,104
School District's Covered-Employee Payroll	\$2,161,299	\$2,035,686
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.18%	216.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**Buckeye Local School District**

Ashtabula County, Ohio

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net Pension Liability*

*State Teachers Retirement System of Ohio (STRS)*

*Last Two Fiscal Years (1)*

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	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.072461550%	0.072461550%
School District's Proportionate Share of the Net Pension Liability	\$17,625,157	\$20,994,971
School District's Covered-Employee Payroll	\$8,408,000	\$7,170,131
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	209.62%	292.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**Buckeye Local School District**

Ashtabula County, Ohio

*Required Supplementary Information  
Schedule of School District Contributions  
School Employees Retirement System of Ohio (SERS)  
Last Three Fiscal Years (1)*

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	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$428,941	\$299,556	\$281,739
Contributions in Relation to the Contractually Required Contribution	(\$428,941)	(\$299,556)	(\$281,739)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,254,484	\$2,161,299	\$2,035,686
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%

(1) Information prior to 2013 available upon request.

**Buckeye Local School District**

Ashtabula County, Ohio

*Required Supplementary Information  
Schedule of School District Contributions  
State Teachers Retirement System of Ohio (STRS)  
Last Three Fiscal Years (1)*

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	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,100,411	\$1,093,040	\$932,117
Contributions in Relation to the Contractually Required Contribution	(\$1,100,411)	(\$1,093,040)	(\$932,117)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$7,860,079	\$8,408,000	\$7,170,131
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 available upon request.

**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<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>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$77,422	\$0	\$77,422	\$0
National School Lunch Program	3L60	10.555	318,879		318,879	
Commodities	3L60	10.555		48,339		48,339
<b>Total -- Nutrition Cluster</b>			<b>396,301</b>	<b>48,339</b>	<b>396,301</b>	<b>48,339</b>
<b>Total U.S. Department of Agriculture</b>			<b>396,301</b>	<b>48,339</b>	<b>396,301</b>	<b>48,339</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies	3M00-2014	84.010	38,289		24,575	
Title I School Subsidy	3M00-2015		399,930		359,915	
<b>Total -- Title I</b>			<b>438,219</b>		<b>384,490</b>	
Title II, Part A -- Improving Teacher Quality	3Y60-2014	84.367	13,123		13,088	
	3Y60-2015		89,444		77,142	
<b>Total - Title II Part A</b>			<b>102,567</b>		<b>90,230</b>	
<b>Total -- U.S. Department of Education</b>			<b>540,786</b>		<b>474,720</b>	
<b>Totals</b>			<b>\$937,087</b>	<b>\$48,339</b>	<b>\$871,021</b>	<b>\$48,339</b>

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

**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 23, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To The Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Buckeye Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Buckeye Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Buckeye Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 23, 2016

**BUCKEYE LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133  
JUNE 30, 2015**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA Number: 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**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  
APRIL 5, 2016**