



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY, OHIO**

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REPORT OF INDEPENDENT ACCOUNTANTS

Buckeye Local School District
Jefferson County
198 Main Street
Rayland, Ohio 43943

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Buckeye Local School District, Jefferson County (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Local School District, Jefferson County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our report was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

November 18, 2002

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BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED BALANCE SHEET
ALL FUNDS TYPES AND ACCOUNTS GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 808,907	\$ 523,323	\$ 1,053,872	\$ 3,684
Cash and Cash Equivalents with Fiscal Agents				75,553
Receivables:				
Property and Other Taxes	6,841,514		833,061	
Intergovernmental		154,499		
Materials and Supplies Inventory	94,435			
Inventory Held for Resale				
Prepaid Items	15,299			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	158,089			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$ 7,918,244	\$ 677,822	\$ 1,886,933	\$ 79,237
<u>Liabilities Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	100,247	17,185		
Accrued Wages and Benefits	1,159,921	222,339		
Compensated Absences Payable	71,166			
Intergovernmental Payable	204,698	32,688		
Deferred Revenue	5,073,994	51,715	611,364	
Due to Students				
Loan Payable				
Capital Leases Payable				
Early Retirement Incentive Payable	75,000			
Longevity Payable	14,800			
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Long-Term Pension Liability				
Total Liabilities	6,699,826	323,927	611,364	
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	97,227	83,316		
Reserved for Inventory	94,435			
Reserved for Property Taxes	1,767,520		221,697	
Reserved for Textbooks and Instructional Materials	42,128			
Reserved for Budget Stabilization	115,961			
Unreserved:				
Undesignated (Deficit)	(898,853)	270,579	1,053,872	79,237
Total Fund Equity and Other Credits	1,218,418	353,895	1,275,569	79,237
Total Liabilities, Fund Equity and Other Credits	\$ 7,918,244	\$ 677,822	\$ 1,886,933	\$ 79,237

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 80,007	\$ 76,048			\$ 2,545,841 75,553
				7,674,575
40,376				194,875
2,190				96,625
4,752				4,752
				15,299
				158,089
157,784		\$ 21,629,712		21,787,496
			\$ 1,275,569	1,275,569
			5,459,964	5,459,964
\$ 285,109	\$ 76,048	\$ 21,629,712	\$ 6,735,533	\$ 39,288,638
671				118,103
42,742				1,425,002
23,479			1,411,633	1,506,278
29,396				266,782
	76,048			5,737,073
				76,048
			44,070	44,070
			364,315	364,315
			55,000	130,000
			4,800	19,600
			257,800	257,800
			4,517,794	4,517,794
			80,121	80,121
96,288	76,048		6,735,533	14,542,986
		21,629,712		21,629,712
327,673				327,673
(138,852)				(138,852)
				180,543
				94,435
				1,989,217
				42,128
				115,961
				504,835
188,821		21,629,712		24,745,652
\$ 285,109	\$ 76,048	\$ 21,629,712	\$ 6,735,533	\$ 39,288,638

BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property and Other Taxes	\$ 5,685,669		\$ 710,732		\$ 6,396,401
Intergovernmental	7,303,499	\$ 2,305,337	155,812		9,764,648
Interest	64,406	454		\$ 553	65,413
Tuition and Fees	22,354	8,406			30,760
Extracurricular Activities	0	139,423			139,423
Gifts and Donations	8,900	39,018			47,918
Rent	300				300
Miscellaneous	8,801	15,677			24,478
Total Revenues	13,093,929	2,508,315	866,544	553	16,469,341
Expenditures:					
Current:					
Instruction:					
Regular	5,899,688	767,860			6,667,548
Special	1,063,619	918,996			1,982,615
Vocational	659,741	4,441			664,182
Other	316,106				316,106
Support Services:					
Pupils	271,572	23,683			295,255
Instructional Staff	188,680	240,541			429,221
Board of Education	37,060				37,060
Administration	1,443,021	87,897			1,530,918
Fiscal	407,979		16,683		424,662
Business		65,893			65,893
Operation and Maintenance of Plant	1,796,039	84,880			1,880,919
Pupil Transportation	1,160,545	3,000			1,163,545
Central		2,446			2,446
Operation of Non-Instructional Services		1,050			1,050
Extracurricular Activities	224,666	119,861			344,527
Capital Outlay				293,542	293,542
Debt Service:					
Principal Retirement	23,247		825,220		848,467
Interest and Fiscal Charges	2,095		256,839	9,707	268,641
Total Expenditures	13,494,058	2,320,548	1,098,742	303,249	17,216,597
Excess of Revenues Over (Under) Expenditures	(400,129)	187,767	(232,198)	(302,696)	(747,256)
Other Financing Sources (Uses):					
Proceeds of Capital Lease				357,000	357,000
Proceeds From Sale of Fixed Assets	3,283				3,283
Operating Transfers In		9,054	168,800	9,273	187,127
Operating Transfers Out	(187,127)				(187,127)
Total Other Financing Sources (Uses)	(183,844)	9,054	168,800	366,273	360,283
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(583,973)	196,821	(63,398)	63,577	(386,973)
Fund Balances at Beginning of Year	1,815,666	157,074	1,338,967	15,660	3,327,367
Decrease in Reserve for Inventory	(13,275)				(13,275)
Fund Balances at End of Year	\$ 1,218,418	\$ 353,895	\$ 1,275,569	\$ 79,237	\$ 2,927,119

The notes to the general purpose financial statements are an integral part of this statement.

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BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$7,891,163	\$6,334,288	(\$1,556,875)			
Intergovernmental	5,731,975	7,303,499	1,571,524	\$ 2,395,340	\$ 2,379,600	\$ (15,740)
Interest	65,000	64,406	(594)		454	454
Tuition and Fees	13,000	22,354	9,354		8,406	8,406
Extracurricular Activities				136,421	139,423	3,002
Gifts and Donations	5,300	8,900	3,600	37,991	39,018	1,027
Rent		300	300			
Miscellaneous	10,000	9,222	(778)	27,476	15,677	(11,799)
Total Revenues	13,716,438	13,742,969	26,531	2,597,228	2,582,578	(14,650)
Expenditures:						
Current:						
Instruction:						
Regular	6,022,757	5,983,870	38,887	928,077	845,118	82,959
Special	1,073,775	1,072,759	1,016	1,037,066	929,018	108,048
Vocational	672,519	670,521	1,998	6,527	6,527	
Other	317,328	316,906	422			
Support Services:						
Pupils	264,543	263,413	1,130	26,360	24,640	1,720
Instructional Staff	174,079	173,490	589	291,598	250,879	40,719
Board of Education	45,480	45,036	444			
Administration	1,432,130	1,430,249	1,881	113,952	88,344	25,608
Fiscal	406,135	407,741	(1,606)			
Business						
Operation and Maintenance of Plant	1,892,888	1,875,805	17,083	89,827	84,880	4,947
Pupil Transportation	1,206,248	1,204,076	2,172	6,000	3,000	3,000
Central				3,094	2,446	648
Operation of Non-Instructional Services				3,765	1,050	2,715
Extracurricular Activities	229,110	228,069	1,041	144,972	119,946	25,026
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	13,736,992	13,671,935	65,057	2,756,636	2,423,728	332,908
Excess of Revenues Over (Under) Expenditures	(20,554)	71,034	91,588	(159,408)	158,850	318,258
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,500	3,283	1,783			
Proceeds of Capital Lease						
Operating Transfers In	425,000		(425,000)	19,479	9,054	(10,425)
Operating Transfers Out	(612,431)	(187,127)	425,304	(15,750)		15,750
Advances In	40,675	40,675				
Advances Out	(12,000)		12,000	(52,150)	(40,150)	12,000
Total Other Financing Sources (Uses)	(157,256)	(143,169)	14,087	(48,421)	(31,096)	17,325
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(177,810)	(72,135)	105,675	(207,829)	127,754	335,583
Fund Balances at Beginning of Year	694,709	694,709		270,732	270,732	
Prior Year Encumbrances Appropriated	147,817	147,817		24,336	24,336	
Fund Balances at End of Year	\$664,716	\$770,391	\$105,675	\$87,239	\$422,822	\$335,583

The notes to the general purpose financial statements are an integral part of this statement.

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BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)

	Debt Service Fund			Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$778,585	\$778,585				
Intergovernmental	151,774	155,812	\$ 4,038			
Interest		553	553			
Tuition and Fees						
Extracurricular Activities						
Gifts and Donations						
Rent						
Miscellaneous						
Total Revenues	930,359	934,950	4,591			
Expenditures:						
Current:						
Instruction:						
Regular						
Special						
Vocational						
Other						
Support Services:						
Pupils						
Instructional Staff						
Board of Education						
Administration						
Fiscal	18,000	16,683	1,317			
Business						
Operation and Maintenance of Plant						
Pupil Transportation						
Central						
Operation of Non-Instructional Services						
Extracurricular Activities						
Capital Outlay	272,293	271,008	1,285	31,807	22,534	9,273
Debt Service:						
Principal Retirement	856,714	825,220	31,494			
Interest and Fiscal Charges	314,926	266,546	48,380			
Total Expenditures	1,461,933	1,379,457	82,476	31,807	22,534	9,273
Excess of Revenues Over (Under) Expenditures	(531,574)	(444,507)	87,067	(31,807)	(22,534)	9,273
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets						
Proceeds of Capital Lease	275,000	357,000	82,000			
Operating Transfers In	168,800	168,800		9,273	9,273	
Operating Transfers Out						
Advances In						
Advances Out						
Total Other Financing Sources (Uses)	443,800	525,800	82,000	9,273	9,273	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(87,774)	81,293	169,067	(22,534)	(13,261)	9,273
Fund Balances at Beginning of Year	1,049,417	1,049,417		15,660	15,660	
Prior Year Encumbrances Appropriated						
Fund Balances at End of Year	\$961,643	\$1,130,710	\$169,067	(\$6,874)	\$2,399	\$9,273

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$8,669,748	\$7,112,873	(\$1,556,875)
8,279,089	9,838,911	1,559,822
65,000	65,413	413
13,000	30,760	17,760
136,421	139,423	3,002
43,291	47,918	4,627
0	300	300
37,476	24,899	(12,577)
<u>17,244,025</u>	<u>17,260,497</u>	<u>16,472</u>
6,950,834	6,828,988	121,846
2,110,841	2,001,777	109,064
679,046	677,048	1,998
317,328	316,906	422
290,903	288,053	2,850
465,677	424,369	41,308
45,480	45,036	444
1,546,082	1,518,593	27,489
424,135	424,424	(289)
105,398	67,880	37,518
1,982,715	1,960,685	22,030
1,212,248	1,207,076	5,172
3,094	2,446	648
3,765	1,050	2,715
374,082	348,015	26,067
304,100	293,542	10,558
856,714	825,220	31,494
314,926	266,546	48,380
<u>17,987,368</u>	<u>17,497,654</u>	<u>489,714</u>
<u>(743,343)</u>	<u>(237,157)</u>	<u>506,186</u>
1,500	3,283	1,783
275,000	357,000	82,000
622,552	187,127	(435,425)
(628,181)	(187,127)	441,054
40,675	40,675	0
(64,150)	(40,150)	24,000
<u>247,396</u>	<u>360,808</u>	<u>113,412</u>
(495,947)	123,651	619,598
2,030,518	2,030,518	
172,153	172,153	
<u>\$1,706,724</u>	<u>\$2,326,322</u>	<u>\$619,598</u>

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$375,638
<u>Operating Expenses:</u>	
Salaries and Wages	271,489
Fringe Benefits	137,016
Purchased Services	6,253
Materials and Supplies	107,042
Cost of Sales	304,775
Depreciation	25,720
<i>Total Operating Expenses</i>	852,295
Operating Loss	(476,657)
<u>Non-Operating Revenues :</u>	
Federal Donated Commodities	19,487
Interest	1,912
Operating Grants	392,204
<i>Total Non-Operating Revenues</i>	413,603
Net Loss	(63,054)
Retained Earnings at Beginning of Year - Restated (Note 3)	(75,798)
Retained Earnings (Deficit) at End of Year	(138,852)
Contributed Capital at Beginning and End of Year	327,673
Total Fund Equity at End of Year	\$188,821

The notes to the general purpose financial statements are an integral part of this statement.

BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$367,772	\$375,638	\$7,866
Interest Income	1,912	1,912	
Operating Grants	357,816	392,204	34,388
<i>Total Revenues</i>	727,500	769,754	42,254
<u>Expenses:</u>			
Salaries and Wages	269,507	265,456	4,051
Fringe Benefits	142,200	138,322	3,878
Purchased Services	8,700	6,006	2,694
Materials and Supplies	439,210	437,349	1,861
<i>Total Expenses</i>	859,617	847,133	12,484
Excess of Revenues Under Expenses	(132,117)	(77,379)	54,738
Advances Out	(1,193)	(525)	668
Excess of Revenues Under Expenses and Advances Out	(133,310)	(77,904)	55,406
Fund Equity at Beginning of Year	148,306	148,306	
Prior Year Encumbrances Appropriated	5,170	5,170	
Fund Equity at End of Year	\$20,166	\$75,572	\$55,406

The notes to the general purpose financial statements are an integral part of this statement.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>	
<i><u>Cash Flows from Operating Activities:</u></i>	
Cash Received from Sales	\$ 375,638
Cash Payments for Goods and Services	(398,544)
Cash Payments for Employee Services	(265,456)
Cash Payments for Employee Benefits	(138,322)
	(426,684)
<i><u>Net Cash Used by Operating Activities</u></i>	
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>	
Operating Grants Received	392,204
Advance Out	(525)
	391,679
<i><u>Net Cash Provided by Noncapital Financing Activities</u></i>	
<i><u>Cash Flows from Investing Activities:</u></i>	
Interest	1,912
	1,912
<i><u>Net Cash Provided by Investing Activities</u></i>	
Net Decrease in Cash and Cash Equivalents	(33,093)
Cash and Cash Equivalents at Beginning of Year	153,476
	120,383
<i><u>Cash and Cash Equivalents at End of Year</u></i>	
<i><u>Reconciliation of Operating Loss to</u></i>	
<i><u>Net Cash Used by Operating Activities:</u></i>	
Operating Loss	(476,657)
<i><u>Adjustments to Reconcile Operating Loss to</u></i>	
<i><u>Net Cash Used by Operating Activities:</u></i>	
Depreciation	25,720
Donated Commodities Received During Year	19,487
<i><u>Changes in Assets and Liabilities:</u></i>	
Increase in Inventory Held for Resale	602
Decrease in Materials and Supply Inventory	186
Increase in Accounts Payable	398
Increase in Compensated Absences Payable	1,882
Decrease in Intergovernmental Payable	(1,306)
Increase in Accrued Wages Payable	3,004
	49,973
<i><u>Total Adjustments</u></i>	
<i><u>Net Cash Used by Operating Activities</u></i>	\$ (426,684)
<i><u>Noncash Operating Activities</u></i>	
Federal Donated Commodities in the amount of \$19,487 were received during the year and recorded as revenue in the enterprise fund.	

The notes to the general purpose financial statements are an integral part of this statement.

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**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was created by the consolidation in 1965 of Adena, Dillonvale, Mount Pleasant, Brilliant, Smithfield and Yorkville Local School Districts, and by a merger with the Warren Consolidated School District in 1966. The School District serves an area of approximately 136 square miles encompassing most of the southern half of Jefferson County, extending west into Harrison County and south into Belmont County. It is staffed by 104 non-certificated employees, 183 certificated full-time teaching personnel, and 15 administrative employees who provide services to 2,385 students and other community members. The School District currently operates 7 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity:

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

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

The School District participates in three organizations, two of which are defined as jointly governed organizations, and one which is defined as an insurance purchasing pool. These organizations are the Ohio Mid-Eastern Educational Service Agency, the Jefferson County Joint Vocational School, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition:

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

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 taxes are levied. (See Note 7)

Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the governmental funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Jefferson County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time final appropriations were passed.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function level of expenditures in the General Fund, and fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. The treasurer has authority to allocate the Board's appropriation to the function and object level.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

Cash balances of the School District's funds are pooled and invested in short-term investments in order to provide improved cash management. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2002, investments were limited to certificates of deposit and repurchase agreements, which are reported at cost, and Star Ohio.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2002.

Under existing Ohio Statutes, the Board of Education may, by resolution, specify the funds to receive an allocation of interest earnings. During fiscal year 2002, all investment earnings were credited to the general fund except those specifically related to certain special revenue funds, the permanent improvement capital projects fund and the food service enterprise fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$64,406, which includes \$36,220 assigned from other School District funds.

The School District utilizes a financial institution to maintain an account while the School District is waiting for the completion of improvements to a new building purchased during the fiscal year. The balance in this account is presented on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits or short-term investments.

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

E. Restricted Assets

Resources set aside for the repayment of a capital lease are classified as cash with fiscal agents on the balance sheet because their use is limited by an applicable lease agreement.

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for the budget stabilization and a separate reserve for the purchase of textbooks and instructional materials. See Note 19 for additional information regarding set-asides.

F. Estimates

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

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 all employees after four years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid with current financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary fund operations are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

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

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

O. Contributed Capital

Contributed capital is recorded in proprietary funds that have received contributions from other funds, other governments, and private sources. Beginning in fiscal year 2001, capital contributions from other governments and private sources are recorded as revenues and reported as net earnings. Contributions from other funds continue to be reported as contributed capital.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGES IN ACCOUNTING PRINCIPALS AND RESTATEMENT OF FUND BALANCE/RETAINED EARNINGS

The excess of revenues and other financing sources over/(under) expenditures and other financing uses for the general fund decreased in the amount of \$9,273, from (\$254,648) to (\$263,921). The excess of revenues and other financing sources over/(under) expenditures and other financing uses for the capital projects fund increased \$9,273, from (\$10,120) to (\$847).

In addition, fixed assets were restated due to a re-appraisal. The last appraisal was completed in 1998. The restatement resulted in a decrease of \$2,186,816 in the general fixed assets account group from \$23,419,113 to \$21,232,297 and a decrease of \$56,691 in the food service enterprise fund from \$(132,489) to \$(75,798). The restatement had the following effect on retained earnings at June 30, 2001.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPALS AND RESTATEMENT OF FUND BALANCE/
RETAINED EARNINGS (Continued)**

	<u>Enterprise Funds</u>
Retained Earnings at June 30, 2001	(\$132,489)
Restated Fixed Assets	56,691
Retained Earnings at June 30, 2001	(\$75,798)

4. FUND DEFICITS

At June 30, 2002, the following funds had deficit fund balances:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Preschool	\$3,702
Disadvantaged Pupil Impact Aid	\$94,254

The deficit balances were created by the application of Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Capital lease proceeds are reported in a debt service fund (budget basis) rather than in the fund where the related capital outlay will be reported (GAAP basis)

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$583,973)	\$196,821	(\$63,398)	\$63,577
Revenue Accruals	649,040	74,263	68,406	(553)
Capital Lease Proceeds	0	0	76,285	(76,285)
Expenditure Accruals	22,573	(2,679)	0	0
Prepaid Items	9,430	0	0	0
Material/Supply Inventory	(13,275)	0	0	0
Advances	40,675	(40,150)	0	0
Encumbrances	(196,605)	(100,501)	0	0
Budget Basis	<u>(\$72,135)</u>	<u>\$127,754</u>	<u>\$81,293</u>	<u>(\$13,261)</u>

Net Loss/Excess of Revenues Under Expenses
and Advances Out – Proprietary Fund Type

	Enterprise
GAAP Basis	(\$63,054)
Expenditure Accruals	(36,398)
Materials & Supplies Inventory	186
Inventory Held for Resale	602
Advances	(525)
Depreciation Expense	25,720
Encumbrances	<u>(4,435)</u>
Budget Basis	<u>(\$77,904)</u>

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. CASH AND CASH EQUIVALENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classification by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$72,494 and the bank balance was \$166,962. Of the bank balance \$91,409 was covered by federal depository insurance and \$75,553 was uncollateralized and uninsured.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Unclassified	Carrying and Fair Value
Repurchase Agreement	\$1,877,984	\$0	\$1,877,984
STAR Ohio	0	829,005	829,005
Total	\$1,877,984	\$829,005	\$2,706,989

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. CASH AND CASH EQUIVALENTS (Continued)

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,779,483	\$0
Investments:		
Repurchase Agreements	(1,877,984)	1,877,984
STAR Ohio	(829,005)	829,005
GASB Statement 3	\$72,494	\$2,706,989

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$139,893,320	43.71%	\$140,108,290	58.15%
Public Utility Personal	153,198,930	47.87%	80,477,770	33.40%
Tangible Personal	26,937,305	8.42%	20,350,520	8.45%
	<u>\$320,029,555</u>	<u>100.00%</u>	<u>\$240,936,580</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation	\$30.50	\$30.50
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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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Belmont, Harrison, and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance, at June 30, 2002 was \$1,989,217 and is recognized as revenue. \$1,767,520 was available to the General Fund and \$221,697 was available to the Debt Service Fund. At June 30, 2001, \$2,705,689 was available to the School District. \$2,416,139 was available to the general fund and \$289,550 was available to the debt service fund.

**BUCKEYE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Title IVB	\$40,910
Math and Science State Grant	1,837
Title IV	2,393
Drug Free	7,952
Chapter 1	83,020
E-Rate	12,478
Preschool	5,909
Total Special Revenue Funds	<u>154,499</u>
Enterprise Funds:	
Food Service	40,376
Total Enterprise Funds	<u>40,376</u>
Total Intergovernmental Receivables	<u><u>\$194,875</u></u>

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$488,765
Less Accumulated Depreciation	(330,981)
Net Fixed Assets	<u><u>\$157,784</u></u>

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$1,560,356	\$0	\$0	\$1,560,356
Buildings and Improvements	16,695,993	280,715	0	16,976,708
Furniture, Fixtures and Equipment	1,682,007	116,700	0	1,798,707
Vehicles	1,287,941	0	0	1,287,941
Infrastructure	6,000	0		6,000
Totals	<u>\$21,232,297</u>	<u>\$397,415</u>	<u>\$0</u>	<u>\$21,629,712</u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002 the School District contracted with Nationwide Insurance for property and fleet and inland marine coverage. The type and amount of coverage provided by Nationwide Insurance follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$44,040,350
Inland Marine Coverage (\$100 deductible)	311,874
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	1,000
Automotive Liability (\$500 deductible)	2,000,000
Uninsured Motorist (\$250 deductible)	2,000,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 18)

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. RISK MANAGEMENT (Continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:

Each Occurance	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Personal and Advertising Injury Limit - Each Occurance	10,000
Fire damage Limit - Any One Event	500,000

Excess Liability:

Each Occurance	2,000,000
Aggregate Limit	2,000,000

Employer's Liability:

Each Occurance	1,000,000
Disease - Each Employee	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. The School District pays the State a rate per \$100 of salaries for workers' compensation.

11. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$121,980, \$83,507 and \$71,079 respectively; 60.88 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$36,711 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$703,930, \$779,520 and \$443,883, respectively; 84.16 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$111,487 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$333,441 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$225,668.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for teachers and administrators and 210 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 $\frac{1}{4}$ days for teachers and administrators and 52 $\frac{1}{2}$ days for classified employees.

B. Health/Life Insurance

The School District provides health, prescription, dental, and major medical insurance for all eligible employees by contracting with Medical Mutual of Ohio and with the Health Plan. Coverage through Medical Mutual of Ohio includes major medical, prescription, and dental. Coverage through the Health Plan only covers medical. Therefore, employees who are covered by the Health Plan must also contract with Medical Mutual of Ohio for dental coverage. The School District pays monthly premiums through Medical Mutual of Ohio and through the Health Plan.

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

C. Early Retirement Incentive

The School District offers a one-time retirement incentive of \$15,000 to those certified employees who have met eligibility retirement requirements based on STRS standards and elect to retire on or before August 1, in the first year they become eligible. The retirement incentive is paid in three equal installments of \$5,000 payable on the School District's first regular pay date in August over a three year span.

D. Longevity Compensation

The School District offers \$600 per year to administrators for each consecutive year of administrative experience served in the Buckeye Local school District paid in three annual installments upon retirement from the District.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE

A new capital lease obligation recorded in the general long-term obligations account group relates to the purchase of and improvement to a building which currently houses the bus garage and soon will also house the administrative offices. As part of the agreement, National City Bank, as lessor, deposited \$357,000 with a fiscal agent for the purchase of and improvements to the new building. At June 30, 2002 the School District has expended \$282,000 for the purchase of the building. The remainder, \$75,000 will be expended as costs are incurred for improvements to the building. At year-end, general fixed assets under this lease were capitalized in the general fixed asset account group in the amount of \$281,447 which includes the purchase price of the building and part of the improvements being done. \$75,553 is still held by the fiscal agent. Only interest payments on the lease have been made as of June 30, 2002. The principal amount owed on the lease at year-end is \$357,000.

In prior years, the School District entered into capitalized leases for equipment and furniture and fixtures. These leases meet the criteria for capital leases as defined by Statement of Financial Accounting Standards No.13 "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. General fixed assets have been capitalized in the general fixed asset account group in the amount of \$99,484, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$23,247 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Year</u>	<u>Amount</u>
2003	\$75,855
2004	72,058
2005	70,504
2006	70,600
2007-2008	<u>140,900</u>
Total	429,917
Less: Amount Representing Interest	<u>(65,602)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$364,315</u></u>

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
School Improvement Refunding				
Bond 1993 5.625%	\$5,154,794	\$0	\$685,000	\$4,469,794
School Bus				
Bond 1997 5.20-5.50%	93,000	0	45,000	48,000
Loan 2000 5.87%	64,290	0	20,220	44,070
Energy Conservation				
Loan 1996 5.25%	332,800	0	75,000	257,800
Total Long-Term Bonds and Loans	<u>5,644,884</u>	<u>0</u>	<u>825,220</u>	<u>4,819,664</u>
Capital Leases	30,562	357,000	23,247	364,315
Early Retirement Incentive	130,000	0	75,000	55,000
Longevity Compensation	4,400	15,200	14,800	4,800
Pension Obligation	94,775	80,121	94,775	80,121
Compensated Absences	<u>1,419,323</u>	<u>812,712</u>	<u>820,402</u>	<u>1,411,633</u>
Total General Long-Term Obligations	<u><u>\$7,323,944</u></u>	<u><u>\$1,265,033</u></u>	<u><u>\$1,853,444</u></u>	<u><u>\$6,735,533</u></u>

Buckeye Local School Improvement Refunding General Obligation Bonds - On June 1, 1993, Buckeye Local School District issued \$9,609,794 in voted general obligation bonds for the purpose of refunding existing debt that has been used for improving, renovating, and remodeling existing school buildings and constructing, furnishing, and equipping a new high school. The bonds were issued for an eighteen year period with final maturity at December 1, 2011. The bonds will be retired from the debt service fund. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2002, \$6,875,000 of bonds outstanding is considered defeased.

School Bus Loan - On July 31, 2000, Buckeye Local School District issued a loan for \$107,381 for the purpose of purchasing two school buses. The loan was issued for a four year period with final maturity during fiscal year 2004. The bonds will be retired from the debt service fund with revenue from grants for the acquisition of buses received from the State of Ohio transferred from the general fund.

**BUCKEYE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG - TERM OBLIGATIONS (Continued)

Buckeye Local School Bus General Obligation Bonds - On June 1, 1997, Buckeye Local School District issued \$250,000 in unvoted general obligation bonds for the purpose of purchasing school buses. The bonds were issued for a six year period with final maturity at April 15, 2003. The bonds will be retired from the debt service fund with revenue from grants for the acquisition of buses received from the State of Ohio transferred from the general fund. The bonds were issued through the Ohio School Bus Pooled Financing Program sponsored by the Ohio Association of School Business Officials. The Program is a statewide, uniform financing structure created by the Ohio Association of School Business Officials and Seasongood and Mayer to permit the financing of school bus purchases over a two to ten year repayment period. The program trustee, (Fifth Third Bank), acts as the issuer accepting loans from the 21 participating school districts, which in turn aggregate to form a single bond issue. No school district has any obligation to pay the principal and interest with respect to the bonds of any other participating school district.

Energy Conservation Loan - On April 3, 1996, Buckeye Local School District issued \$533,682 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2006. The note was issued as a revolving loan for which the School District can request additional proceeds on an as-needed-basis up to \$750,000. During fiscal year 1997 the School District issued an additional \$155,188 and during fiscal year 1998 \$18,930 was issued. The loan will be paid from energy savings realized from the energy conservation measures transferred from the general fund to the debt service fund.

Capital leases will be paid from the general fund and the permanent improvement capital projects fund. Compensated absences, the early retirement incentive, the longevity compensation, and the pension obligation, which represents contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

School District's overall legal debt margin was \$4,421,794 with an unvoted debt margin of \$560,966 at June 30, 2002.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30, 2002	Principal	Interest	Total
2003	\$864,406	\$516,374	\$1,380,780
2004	249,970	802,095	1,052,065
2005	205,577	817,420	1,022,997
2006	144,752	829,332	974,084
2007	96,572	846,114	942,686
2008-2012	3,258,387	876,759	4,135,146
Total	<u>\$4,819,664</u>	<u>\$4,688,094</u>	<u>\$9,507,758</u>

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Buckeye Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$341,372	\$34,266	\$375,638
Depreciation Expense	25,720	0	25,720
Operating Income (Loss)	(478,900)	2,243	(476,657)
Donated Commodities	19,487	0	19,487
Operating Grants	392,204	0	392,204
Interest	1,912	0	1,912
Net Income (Loss)	(65,297)	2,243	(63,054)
Net Working Capital	6,642	24,395	31,037
Total Assets	260,290	24,819	285,109
Total Equity	164,426	24,395	188,821
Encumbrances Outstanding at June 30, 2002	4,435	0	4,435

17. JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency - The School District is a participant in the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) which is a computer consortium. OME-RESA is an association of public school districts within the boundaries of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. The 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 school districts.

The governing board of OME-RESA is selected by the member districts. OME-RESA possesses its own budgeting, appropriating, contracting and designating management. In fiscal year 2002, the School District contributed \$79,166 to the Agency. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Jefferson County Joint Vocational School - The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Jefferson County Joint Vocational School, Karen Spoonmoore, who serves as Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

**BUCKEYE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. INSURANCE PURCHASING POOL

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

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition any money on hand in school district’s budget reserve set-asides as of April 10, 2001, may at the discretion of the board be returned to the district’s general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers Compensation monies remaining in the budget reserve set-aside. During fiscal year 2002, the Board voted to maintain in the reserve only the refunds from the Bureau of Workers Compensation.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2001	(\$33,795)	\$39,506	\$115,961
Current year set-aside requirement	315,385	315,385	0
Qualifying Disbursements	<u>(239,462)</u>	<u>(539,031)</u>	<u>0</u>
Totals	<u>\$42,128</u>	<u>(\$184,140)</u>	<u>\$115,961</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$42,128</u>	<u>\$0</u>	<u>\$115,961</u>

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

The School District did not have qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. This positive amount must be held in cash at year end and carried forward to be used for the same purpose in future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$158,089.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

21. STATE SCHOOL FUNDING

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

21. STATE SCHOOL FUNDING

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted request for the for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

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**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	03-PU-01	10.550		\$19,487		\$19,686
National School Lunch Program	04-PU-01	10.555	258,895		258,895	
National School Breakfast Program	05-PU-01	10.553	64,154		64,154	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>323,049</u>	<u>19,487</u>	<u>323,049</u>	<u>19,686</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States Title VI-B Flow Through	6B-SF-01 6B-SF-02	84.027	22,185 <u>239,303</u> 261,488		38,887 <u>209,474</u> 248,361	
Special Education - Preschool Grant	PG-S1-00 PG-S1-01	84.173	21,428 <u>21,428</u>		9,285 <u>10,551</u> 19,836	
Total Special Education Cluster			282,916		268,197	
Title VI R Classroom Reduction Grant	CR-S1-00 CR-S1-01 CR-S1-02	84.340	34,638 <u>117,486</u>		34,638 <u>41,028</u>	
Total Title VI R Classroom Reduction Grant			152,124		96,925	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01C C1-S1-02	84.010	157,087 <u>665,547</u> 822,634		117,604 <u>547,848</u> 665,452	
Innovative Educational Program	C2-S1-01 C2-S1-02	84.298	2832 <u>13,849</u>		3,201 <u>11,588</u>	
Total Innovative Educational Programs			16,681		14,789	
Drug-Free Schools Grant	DR-S1-01 DR-S1-02	84.186	2,243 <u>2,243</u>		518 <u>993</u> 1,511	
Title II - Dwight D. Eisenhower Program	MS-S1-00 MS-S1-01 MS-S1-02	84.281	17,801		1,555 4,025 <u>2,121</u>	
Total Title II			17,801		7,701	
Continuous Improvement Implementation Grant	G2-S2-00 G2-S2-01 G2-SP-00	84.276	4,000		19 11,715 <u>4,000</u>	
Total Continuous Improvement Implementation Grant			4,000		15,734	
After School Extended Learning Grant	N/A	84.215	46,000		45,108	
Total Department of Education			<u>1,344,399</u>		<u>1,115,417</u>	
Total Federal Financial Assistance			<u>\$1,667,448</u>	<u>\$19,487</u>	<u>\$1,438,466</u>	<u>\$19,686</u>

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

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the district had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Buckeye Local School District
Jefferson County
198 Main Street
Rayland, Ohio 43943

To the Board of Education:

We have audited the accompanying financial statements of Buckeye Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buckeye Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 18, 2002.

This report is intended solely for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

November 18, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Buckeye Local School District
Jefferson County
198 Main Street
Rayland, Ohio 43943

To the Board of Education:

Compliance

We have audited the compliance of Buckeye Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. Buckeye Local School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Buckeye Local School District's management. Our responsibility is to express an opinion on Buckeye Local School District's compliance based on our audit.

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

In our opinion, Buckeye Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 18, 2002

**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Food Distribution CFDA# 10.550 National School Lunch CFDA # 10.555 National School Breakfast CFDA# 10.553, Title VI-B CFDA# 84.027 Preschool Grant CFDA# 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None	
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**BUCKEYE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-11241-001	Ohio Revised Code § 5705.39 appropriations exceeded estimated resources	Yes	
2001-11241-002	Ohio Revised Code § 5705.41 (B), expenditures plus encumbrances exceeded appropriations	Yes	



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BUCKEYE LOCAL SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**