

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO**

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

SANDRA GRISCOM, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Buckeye Valley Local School District
679 Coover Road
Delaware, Ohio 43015

We have reviewed the *Independent Auditor's Report* of the Buckeye Valley Local School District, Delaware County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2008

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**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO**

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Julian & Grube, Inc.
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Independent Auditor's Report

Board of Education
Buckeye Valley Local School District
679 Coover Road
Delaware, OH 43015

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Buckeye Valley Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Buckeye Valley Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2008, on our consideration of Buckeye Valley Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report
Buckeye Valley Local School District
Page Three

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
January 30, 2008

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of Buckeye Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2007 were as follows:

In total, net assets increased \$44,835, less than 1 percent, not a significant increase.

General revenues were \$19,712,505 for fiscal year 2007, or 86 percent of total revenues, and reflect the School District's significant dependence on taxes and unrestricted state entitlements.

The School District's five-year forecast looks healthy. Each fiscal year reflects positive carryover cash balances. Each fiscal year shows revenues exceeding expenditures until fiscal year 2011, when expenditures exceed revenues by just \$123,000. The forecast is updated twice a year and the further you go out in years the more it will change as it is updated with new information. The current forecast is a major improvement from four years ago when the forecast had deficit balances in most fiscal years. The financial outlook has been dramatically improved due to cuts that were made at that time as well as increases in revenues from property taxes and income taxes.

The Board of Education has recently voted to put a \$18,500,000 bond issue up for vote at the March 4, 2008, election. This is for renovating, improving, and constructing additions to school facilities, including the high school and elementary schools. This decision was made after the defeat of the May 2007 and August 2007 bond issues for \$17,500,000 for the same purpose. Several public meetings were held and it was the opinion of the community members present that the School District should repeat the same bond issue effort. The bond amount was increased by \$1,000,000 due to inflation for the cost of the renovations.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Buckeye Valley Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Buckeye Valley Local School District, the General Fund is the most significant fund.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$17,140,805	\$15,772,095	\$1,368,710
Capital Assets, Net	17,857,818	18,025,931	(168,113)
Total Assets	<u>34,998,623</u>	<u>33,798,026</u>	<u>1,200,597</u>
<u>Liabilities:</u>			
Current and Other Liabilities	11,138,718	9,543,491	(1,595,227)
Long-Term Liabilities	12,153,742	12,593,207	439,465
Total Liabilities	<u>23,292,460</u>	<u>22,136,698</u>	<u>(1,155,762)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	7,477,947	7,455,505	22,442
Restricted	1,132,614	1,012,362	120,252
Unrestricted	3,095,602	3,193,461	(97,859)
Total Net Assets	<u>\$11,706,163</u>	<u>\$11,661,328</u>	<u>\$44,835</u>

The above table demonstrates a somewhat significant increase in current and other assets. Cash and cash equivalents increased over \$1 million. This increase is due to additional taxes realized as a result of the property reappraisal in 2005 as well as new construction (the School District resides in a County undergoing a great deal of growth). In fiscal year 2007, the School District felt the effect of a full-year of revenue collections based on the new assessed values; in fiscal year 2006, the School District only reflected one-half year of revenue collections based on these assessed values. Note however, a comparison of property tax revenues for fiscal year 2007, and the decrease in these revenues of over \$1.6 million, this would make the above explanation appear unreasonable. This can be explained by the affect of the amount of taxes available for advance at fiscal year end. For fiscal year 2006, this amount was \$2.5 million and was reflected as revenue in fiscal year 2006. For fiscal year 2007, this amount was just under \$1.2 million. One other area to be addressed regarding property taxes, the receivable for property taxes at fiscal year end 2007 is greater than that of fiscal year 2006, although not significantly. While the receivable did not change substantially, the effect of the advances recorded as revenue in each of the fiscal years impacts the balance which is recorded as deferred revenue. Due to the decrease in the advance amount, there is a corresponding in the deferred revenue amount and therefore the decrease in current and other liabilities as reflected in the above table.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

Table 2
Change in Net Assets

	Governmental Activities		Change
	2007	2006	
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,652,313	\$1,644,338	\$7,975
Operating Grants, Contributions, and Interest	1,374,422	1,247,759	126,663
Capital Grants, Contributions, and Interest	59,754	47,179	12,575
Total Program Revenues	<u>3,086,489</u>	<u>2,939,276</u>	<u>147,213</u>
General Revenues			
Property Taxes Levied for General Purposes	7,257,062	8,554,025	(1,296,963)
Property Taxes Levied for Debt Service	825,534	1,045,615	(220,081)
Property Taxes Levied for Permanent Improvements	528,775	622,816	(94,041)
Income Taxes Levied for General Purposes	4,559,907	4,085,182	474,725
Grants and Entitlements	6,066,602	5,792,011	274,591
Interest	324,582	190,373	134,209
Gifts and Donations	13,242	4,820	8,422
Miscellaneous	136,801	224,857	(88,056)
Total General Revenues	<u>19,712,505</u>	<u>20,519,699</u>	<u>(807,194)</u>
Total Revenues	<u>22,798,994</u>	<u>23,458,975</u>	<u>(659,981)</u>
<u>Expenses:</u>			
Instruction:			
Regular	10,342,249	9,638,290	(703,959)
Special	1,778,159	1,591,336	(186,823)
Vocational	387,791	353,207	(34,584)
Support Services:			
Pupils	1,824,326	1,773,490	(50,836)
Instructional Staff	516,219	527,307	11,088
Board of Education	146,641	138,997	(7,644)
Administration	1,590,551	1,560,919	(29,632)
Fiscal	527,410	495,130	(32,280)
Operation and Maintenance of Plant	2,234,590	1,988,416	(246,174)
Pupil Transportation	1,461,315	1,376,929	(84,386)
Central	34,412	34,960	548
Non-Instructional Services	758,578	663,163	(95,415)
Extracurricular Activities	522,887	551,510	28,623
Interest and Fiscal Charges	629,031	657,658	28,627
Total Expenses	<u>22,754,159</u>	<u>21,351,312</u>	<u>(1,402,847)</u>
Increase in Net Assets	44,835	2,107,663	(2,062,828)
Net Assets at Beginning of Year	<u>11,661,328</u>	<u>9,553,665</u>	<u>2,107,663</u>
Net Assets at End of Year	<u>\$11,706,163</u>	<u>\$11,661,328</u>	<u>\$44,835</u>

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

While program revenues increased slightly, they remained very comparable to the prior fiscal year. General revenues decreased slightly, just under 4 percent. This was due to the decrease in the amount of tax resources available for advance at the end of the fiscal year.

As can be seen above, expenses remained fairly comparable to fiscal year 2006, with a 7 percent increase. The most notable increase was in the regular instruction. The cost increases reflect salary and step increases as well as a few new and reinstated positions. The School District added an enrichment teacher position, a math teacher, and a part-time art teacher in fiscal year 2007. Two tutors needed to be added per class size requirements of the negotiated agreement with the teacher's union. Reinstatements of previously cut positions included a part-time health teacher and a multi-cultural studies teacher.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$10,342,249	\$9,638,290	\$9,630,923	\$8,886,549
Special	1,778,159	1,591,336	811,526	708,476
Vocational	387,791	353,207	268,879	248,841
Support Services:				
Pupils	1,824,326	1,773,490	1,811,177	1,752,998
Instructional Staff	516,219	527,307	516,219	527,307
Board of Education	146,641	138,997	146,641	138,997
Administration	1,590,551	1,560,919	1,590,551	1,560,919
Fiscal	527,410	495,130	527,410	495,130
Operation and Maintenance of Plant	2,234,590	1,988,416	2,204,127	1,957,577
Pupil Transportation	1,461,315	1,376,929	1,425,689	1,353,376
Central	34,412	34,960	34,412	34,960
Non-Instructional Services	758,578	663,163	(236,302)	(253,955)
Extracurricular Activities	522,887	551,510	307,387	343,203
Interest and Fiscal Charges	629,031	657,658	629,031	657,658
Total Expenses	<u>\$22,754,159</u>	<u>\$21,351,312</u>	<u>\$19,667,670</u>	<u>\$18,412,036</u>

Since the School District receives very little in the way of program revenues (just over 13 percent of total revenues), the School District is exceedingly dependent on its general revenue resources of property taxes, income taxes, and unrestricted state entitlements (State foundation). A review of the above table demonstrates two things. First, a great deal of comparability to the prior fiscal year, and second, few programs are supported in any significant way through program revenues.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

One of the programs which did receive substantial program revenues in fiscal year 2007 was for special instruction (54 percent support from program revenues). This is made up entirely of operating grants restricted for various special instruction programs. Another program receiving significant program revenues was non-instructional services. In fact, program revenues exceeded the costs of providing these services again in fiscal year 2007. This is generally made up of cafeteria sales and state and federal subsidies and donated commodities for food service operations. Also included in the program revenues related to non-instructional services are the resources from the School Age Child Care (after-school) program. Lastly, 41 percent of extracurricular activities expenses are covered by program revenues. This is primarily music and athletic fees, ticket sales, and gate receipts.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major fund is the General Fund. For the General Fund, fund balance increased by less than 1 percent.

General Fund Budgeting Highlights

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

During fiscal year 2007, the School District amended its General Fund budget as needed. For revenues, the changes from original budget to final budget and from the final budget to actual revenues were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$17,857,818 invested in capital assets (net of accumulated depreciation), a decrease of \$168,113, less than 1 percent. The School District's additions for the fiscal year were offset by depreciation expense and disposals, therefore, little change. However, additions for the fiscal year consisted of copiers, four buses, a truck, and completion of the football field lighting at the High School Stadium. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2007, the School District had outstanding general obligation bonds, in the amount of \$10,186,750, and a paving project loan, in the amount of \$173,000. The School District also had several outstanding capital leases for equipment, in the amount of \$201,869. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Current Issues

A Strategic Planning Committee, made up of board members, administrators, staff, and community members has been meeting regularly to create a mission statement for the School District, look at future planning, and to set goals. Four sub-committees have been formed under this Strategic Planning: Student Achievement Committee, Finance Committee, Facilities Committee, and Communications Committee.

While all committees meet regularly, the facilities committee has met quite often in the past year with the meetings being open to the public. The School District put a \$17,500,000 bond issue on the May 2007 and August 2007 ballot; the levy failed on both attempts.

At the December 12, 2007, special board meeting, the Board of Education voted to put an \$18,500,000 bond issue on the ballot for the March 4, 2008, election. The purpose is for constructing school facilities and renovating, improving, and constructing additions to existing school facilities, including improvements to school technology. The issue is basically the same as earlier attempts with an additional \$1,000,000 due to inflation. The architects have been working with the School District to present various plans. The School District continues to study enrollment figures to determine where elementary schools should be located. Because the School District is so spread out, covering one hundred-ninety six square miles, transportation becomes a big issue in deciding where students are to attend elementary school. Enrollment figures have remained relatively flat in past years; however, the 2007/08 school year has seen an increase of seventy students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sandra Griscom, Treasurer, Buckeye Valley Local School District, 679 Coover Road, Delaware, Ohio 43015.

Buckeye Valley Local School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,184,539
Accounts Receivable	39,516
Accrued Interest Receivable	12,359
Due from External Parties	7,206
Intergovernmental Receivable	69,856
Income Taxes Receivable	2,154,206
Prepaid Items	6,317
Inventory Held for Resale	4,243
Materials and Supplies Inventory	32,300
Property Taxes Receivable	10,540,018
Unamortized Issuance Costs	90,245
Nondepreciable Capital Assets	498,673
Depreciable Capital Assets, Net	17,359,145
Total Assets	34,998,623
 <u>Liabilities:</u>	
Accounts Payable	167,770
Accrued Wages and Benefits Payable	1,589,644
Intergovernmental Payable	550,153
Accrued Interest Payable	45,444
Deferred Revenue	8,785,707
Long-Term Liabilities:	
Due Within One Year	691,684
Due in More Than One Year	11,462,058
Total Liabilities	23,292,460
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,477,947
Restricted For:	
Debt Service	506,467
Capital Projects	333,295
School Farm	68,464
Early Childhood Care	101,656
Other Purposes	122,732
Unrestricted	3,095,602
Total Net Assets	\$11,706,163

See Accompanying Notes to Basic Financial Statements

Buckeye Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	
Expenses				
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$10,342,249	\$601,816	\$109,510	\$0
Special	1,778,159	0	966,633	0
Vocational	387,791	72,790	46,122	0
Support Services:				
Pupils	1,824,326	0	13,149	0
Instructional Staff	516,219	0	0	0
Board of Education	146,641	0	0	0
Administration	1,590,551	0	0	0
Fiscal	527,410	0	0	0
Operation and Maintenance of Plant	2,234,590	0	0	30,463
Pupil Transportation	1,461,315	0	11,255	24,371
Central	34,412	0	0	0
Non-Instructional Services	758,578	773,854	221,026	0
Extracurricular Activities	522,887	203,853	6,727	4,920
Interest and Fiscal Charges	629,031	0	0	0
Total Governmental Activities	<u>\$22,754,159</u>	<u>\$1,652,313</u>	<u>\$1,374,422</u>	<u>\$59,754</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Property Taxes Levied for Permanent Improvements
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (See Note 3)
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$9,630,923)
(811,526)
(268,879)

(1,811,177)
(516,219)
(146,641)
(1,590,551)
(527,410)
(2,204,127)
(1,425,689)
(34,412)
236,302
(307,387)
(629,031)

(19,667,670)

7,257,062
825,534
528,775
4,559,907
6,066,602
324,582
13,242
136,801

19,712,505

44,835

11,661,328

\$11,706,163

Buckeye Valley Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2007

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,211,594	\$972,945	\$4,184,539
Accounts Receivable	17,424	22,092	39,516
Accrued Interest Receivable	12,359	0	12,359
Due from External Parties	7,206	0	7,206
Interfund Receivable	28,044	0	28,044
Intergovernmental Receivable	0	69,856	69,856
Income Taxes Receivable	2,154,206	0	2,154,206
Prepaid Items	6,317	0	6,317
Inventory Held for Resale	0	4,243	4,243
Materials and Supplies Inventory	32,143	157	32,300
Property Taxes Receivable	8,887,363	1,652,655	10,540,018
Total Assets	<u>\$14,356,656</u>	<u>\$2,721,948</u>	<u>\$17,078,604</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$131,985	\$35,785	\$167,770
Accrued Wages and Benefits Payable	1,528,869	60,775	1,589,644
Interfund Payable	0	28,044	28,044
Intergovernmental Payable	495,042	55,111	550,153
Deferred Revenue	7,973,499	1,446,784	9,420,283
Total Liabilities	<u>10,129,395</u>	<u>1,626,499</u>	<u>11,755,894</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	1,196,712	226,865	1,423,577
Reserved for Encumbrances	331,393	113,086	444,479
Unreserved Reported in:			
General Fund	2,699,156	0	2,699,156
Special Revenue Funds	0	174,059	174,059
Debt Service Fund	0	382,749	382,749
Capital Projects Funds	0	198,690	198,690
Total Fund Balances	<u>4,227,261</u>	<u>1,095,449</u>	<u>5,322,710</u>
Total Liabilities and Fund Balances	<u>\$14,356,656</u>	<u>\$2,721,948</u>	<u>\$17,078,604</u>

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2007

Total Governmental Fund Balances		\$5,322,710
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		17,857,818
<p>Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		90,245
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	29,054	
Income Taxes Receivable	275,506	
Property Taxes Receivable	330,016	
		634,576
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(45,444)	
General Obligation Bonds Payable	(10,186,750)	
Paving Project Loan Payable	(173,000)	
Compensated Absences Payable	(1,592,123)	
Capital Leases Payable	(201,869)	
		(12,199,186)
Net Assets of Governmental Activities		\$11,706,163

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$7,226,960	\$1,358,934	\$8,585,894
Income Taxes	4,528,876	0	4,528,876
Intergovernmental	6,226,310	1,295,164	7,521,474
Interest	296,847	45,620	342,467
Tuition and Fees	582,266	395,196	977,462
Extracurricular Activities	26,711	178,298	205,009
Charges for Services	0	478,182	478,182
Gifts and Donations	1,280	24,246	25,526
Miscellaneous	77,870	63,321	141,191
Total Revenues	<u>18,967,120</u>	<u>3,838,961</u>	<u>22,806,081</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	9,346,823	423,704	9,770,527
Special	1,542,025	219,443	1,761,468
Vocational	314,327	64,559	378,886
Support Services:			
Pupils	1,256,688	558,334	1,815,022
Instructional Staff	384,263	104,295	488,558
Board of Education	146,641	0	146,641
Administration	1,576,062	19,806	1,595,868
Fiscal	492,787	28,259	521,046
Operation and Maintenance of Plant	1,993,147	195,895	2,189,042
Pupil Transportation	1,605,524	27,466	1,632,990
Central	26,969	7,443	34,412
Non-Instructional Services	1,349	718,263	719,612
Extracurricular Activities	264,664	174,527	439,191
Capital Outlay	0	380,525	380,525
Debt Service:			
Principal Retirement	44,972	579,000	623,972
Interest and Fiscal Charges	23,118	570,567	593,685
Total Expenditures	<u>19,019,359</u>	<u>4,072,086</u>	<u>23,091,445</u>
Excess of Revenues			
Under Expenditures	<u>(52,239)</u>	<u>(233,125)</u>	<u>(285,364)</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	66,037	0	66,037
Transfers In	0	2,867	2,867
Transfers Out	(2,867)	0	(2,867)
Total Other Financing Sources (Uses)	<u>63,170</u>	<u>2,867</u>	<u>66,037</u>
Changes in Fund Balances	10,931	(230,258)	(219,327)
Fund Balances at Beginning of Year	<u>4,216,330</u>	<u>1,325,707</u>	<u>5,542,037</u>
Fund Balances at End of Year	<u>\$4,227,261</u>	<u>\$1,095,449</u>	<u>\$5,322,710</u>

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Changes in Fund Balances - Total Governmental Funds (\$219,327)

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay - Nondepreciable Capital Assets	39,433	
Capital Outlay - Depreciable Capital Assets	387,308	
Depreciation	<u>(571,896)</u>	(145,155)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (22,958)

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

Property Taxes	25,477	
Income Taxes	31,031	
Intergovernmental	(51,268)	
Tuition and Fees	<u>(14,077)</u>	(8,837)

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

General Obligation Bonds Payable	520,000	
Paving Project Loan Payable	59,000	
Capital Leases Payable	<u>44,972</u>	623,972

The termination of a capital lease is not reflected in the governmental funds, but the termination reduces long-term liabilities on the statement of net assets. 15,046

The accounting loss on refunded debt is reported as an expense at the time of refunding, but is amortized over the life of the new debt on the statement of activities.

Amortization of Accounting Loss		(3,538)
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(continued)

Buckeye Valley Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2007
 (continued)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	2,757	
Annual Accretion on Capital Appreciation Bonds	(38,103)	
Amortization of Premium	4,648	
		(\$30,698)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is accrued on outstanding debt on the statement of net assets. (1,110)

The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets. (66,037)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (96,523)

Change in Net Assets of Governmental Activities \$44,835

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$8,502,873	\$8,558,250	\$8,552,107	(\$6,143)
Income Taxes	4,086,975	4,238,535	4,248,955	10,420
Intergovernmental	5,815,977	6,094,360	6,226,310	131,950
Interest	192,848	294,000	294,759	759
Tuition and Fees	548,847	532,970	582,718	49,748
Extracurricular Activities	25,713	26,667	26,711	44
Gifts and Donations	1,350	1,400	1,280	(120)
Miscellaneous	44,849	65,448	77,712	12,264
Total Revenues	<u>19,219,432</u>	<u>19,811,630</u>	<u>20,010,552</u>	<u>198,922</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,544,459	9,469,215	9,374,309	94,906
Special	1,511,358	1,541,209	1,540,678	531
Vocational	318,357	318,357	313,350	5,007
Other	3,000	3,000	1,764	1,236
Support Services:				
Pupils	1,231,329	1,256,559	1,255,901	658
Instructional Staff	457,637	457,633	442,531	15,102
Board of Education	153,003	153,003	135,669	17,334
Administration	1,550,351	1,588,743	1,588,335	408
Fiscal	485,986	489,039	489,474	(435)
Operation and Maintenance of Plant	2,062,881	2,111,568	2,111,323	245
Pupil Transportation	1,720,459	1,729,979	1,723,446	6,533
Central	34,200	26,888	26,885	3
Non-Instructional Services	1,555	1,555	1,452	103
Extracurricular Activities	323,547	323,547	272,709	50,838
Total Expenditures	<u>19,398,122</u>	<u>19,470,295</u>	<u>19,277,826</u>	<u>192,469</u>
Excess of Revenues Over (Under) Expenditures	<u>(178,690)</u>	<u>341,335</u>	<u>732,726</u>	<u>391,391</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	38,571	3,500	4,394	894
Refund of Prior Year Receipts	(10,146)	(10,146)	0	10,146
Advances In	6,320	6,320	6,320	0
Advances Out	0	0	(22,544)	(22,544)
Transfers Out	0	0	(2,867)	(2,867)
Total Other Financing Sources (Uses)	<u>34,745</u>	<u>(326)</u>	<u>(14,697)</u>	<u>(14,371)</u>
Changes in Fund Balance	(143,945)	341,009	718,029	377,020
Fund Balance at Beginning of Year	1,647,836	1,647,836	1,647,836	0
Prior Year Encumbrances Appropriated	422,008	422,008	422,008	0
Fund Balance at End of Year	<u>\$1,925,899</u>	<u>\$2,410,853</u>	<u>\$2,787,873</u>	<u>\$377,020</u>

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2007

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$54,472	\$115,975
<u>Liabilities:</u>		
Due to External Parties	0	\$7,206
Undistributed Assets	0	9,170
Due to Students	0	99,599
Total Liabilities	0	\$115,975
<u>Net Assets:</u>		
Held in Trust for Scholarships	29,472	
Endowments	25,000	
Total Net Assets	\$54,472	

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2007

Additions:

Interest	\$3,070
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Deductions:

Non-Instructional Services	<u>1,600</u>
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Change in Net Assets	1,470
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Net Assets at Beginning of Year	<u>53,002</u>
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Net Assets at End of Year	<u><u>\$54,472</u></u>
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See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

Buckeye Valley 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 and federal guidelines.

The School District was established in 1961. The School District serves an area of approximately one hundred ninety-six square miles and is located in Delaware, Marion, Morrow, and Union Counties. The School District is the 230th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred twenty-two classified employees, one hundred sixty-nine certified teaching personnel, and eleven administrative employees who provide services to 2,321 students and other community members. The School District currently operates three elementary schools, a junior high school, a high school, an administration building, and a bus garage.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Buckeye Valley 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. There are no component units of the Buckeye Valley Local School District.

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Delaware Joint Vocational School, Central Ohio Regional Professional Development Center, Central Ohio Special Education Regional Resource Center, Metropolitan Educational Council, Ohio School Plan, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 21 and 22 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Buckeye Valley 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-related and student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the function level for the General Fund and fund level for all other funds. Budgetary allocations at the object level within the General Fund and at the function and object level for all other funds are made by the School District Treasurer.

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

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

F. Cash and Investments

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

During fiscal year 2007, investments included repurchase agreements and STAR Ohio. Repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Note 2 - Summary of Significant Accounting Policies (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$296,847, which includes \$27,692 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 50 years
Buildings and Building Improvements	25 - 133 years
Furniture, Fixtures, and Equipment	3 - 50 years
Vehicles	10 - 15 years
Infrastructure	50 years

Note 2 - Summary of Significant Accounting Policies (continued)

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable 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 ten years of service.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

M. Unamortized Issuance Costs and Bond Premiums

On government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

N. Unamortized Accounting Loss

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

Note 2 - Summary of Significant Accounting Policies (continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. As of June 30, 2007, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

R. Estimates

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

Note 3 - Correction of an Error and Restatement of Net Assets

In the prior fiscal year, the School District incorrectly recorded accumulated depreciation for governmental activities.

	Governmental Activities
Net Assets at June 30, 2006	<u>\$12,193,163</u>
Accumulated Depreciation	<u>(531,835)</u>
Restated Net Assets at June 30, 2006	<u>\$11,661,328</u>

Note 4 - Accountability

At June 30, 2007, the Food Service and Uniform School Supplies special revenue funds had deficit fund balances, in the amount of \$8,914, and \$327, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 5 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$10,931
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	4,145,925
Accrued FY 2007, Not Yet Received in Cash	(3,097,853)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(2,064,242)
Accrued FY 2007, Not Yet Paid in Cash	2,148,690
Cash Adjustments	
Unrecorded Activity FY 2006	567
Unrecorded Activity FY 2007	(813)
Prepaid Items	11,849
Materials and Supplies Inventory	2,107
Advances In	6,320
Advances Out	(22,544)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(422,908)
Budget Basis	\$718,029

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits 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.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 6 - Deposits and Investments (continued)

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

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

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

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

Investments

As of June 30, 2007, the School District had the following investments:

	Fair Value	Maturity
Repurchase Agreements	\$96,037	7/2/07
STAR Ohio	4,344,406	38.56 days average
Total Investments	\$4,440,443	

Note 6 - Deposits and Investments (continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The maturity of repurchase agreements must not exceed thirty days.

The securities underlying the repurchase agreements are U.S. treasury securities which are guaranteed as to principal and interest by the United States. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. At June 30, 2007, 2 percent of the School District's investment portfolio was invested in repurchase agreements.

Note 7 - Receivables

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, amounts due from external parties, interfund, intergovernmental, income taxes, and property taxes. 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. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Other Governmental Funds	
Lunchroom	\$22,181
Other State Grants	5,637
Title I	39,171
Title II-A	2,867
Total Intergovernmental Receivables	<u>\$69,856</u>

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, these settlements were not received by the School District within fiscal year 2007.

The School District receives property taxes from Delaware, Marion, Morrow, and Union 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 counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 9 - Property Taxes (continued)

Accrued property taxes receivable represents the late tax settlements, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late tax settlements and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$1,196,712, in the General Fund, \$137,314 in the Bond Retirement debt service fund, and \$89,551 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$2,521,441 in the General Fund, \$306,565 in the Bond Retirement debt service fund, and \$185,423 in the Permanent Improvement capital projects fund.

The late tax settlements made by the counties for fiscal year 2007 was \$635 in the General Fund, \$50 in the Bond Retirement debt service fund, and \$33 in the Permanent Improvement capital projects fund. For fiscal year 2006, these amounts were \$1,053 in the General Fund, \$90 in the Bond Retirement debt service fund, and \$54 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$416,948,260	91.14%	\$433,005,451	92.49%
Industrial and Commercial	16,053,060	3.51	14,700,990	3.14
Public Utility	15,493,950	3.38	14,659,150	3.13
Tangible Personal	9,001,736	1.97	5,792,913	1.24
Total Assessed Value	<u>\$457,497,006</u>	<u>100.00%</u>	<u>\$468,158,504</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.98		\$32.80	

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$498,673	\$0	\$0	\$498,673
Construction in Progress	99,306	39,433	(138,739)	0
Total Nondepreciable Capital Assets	597,979	39,433	(138,739)	498,673
Depreciable Capital Assets				
Land Improvements	1,364,825	138,739	0	1,503,564
Buildings and Building Improvements	18,686,282	0	0	18,686,282
Furniture, Fixtures, and Equipment	2,321,789	75,713	(59,889)	2,337,613
Vehicles	1,764,701	311,595	(119,335)	1,956,961
Infrastructure	154,668	0	0	154,668
Total Depreciable Capital Assets	24,292,265	526,047	(179,224)	24,639,088
Less Accumulated Depreciation				
Land Improvements	(204,344)	(39,073)	0	(243,417)
Buildings and Building Improvements	(4,001,400)	(321,361)	0	(4,322,761)
Furniture, Fixtures, and Equipment	(1,460,844)	(103,261)	36,931	(1,527,174)
Vehicles	(1,130,624)	(105,108)	119,335	(1,116,397)
Infrastructure	(67,101)	(3,093)	0	(70,194)
Total Accumulated Depreciation	(6,864,313)	(571,896)	156,266	(7,279,943)
Depreciable Capital Assets, Net	17,427,952	(45,849)	(22,958)	17,359,145
Governmental Activities				
Capital Assets, Net	\$18,025,931	(\$6,416)	(\$161,697)	\$17,857,818

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$248,785
Special	18,401
Vocational	4,986
Support Services:	
Pupils	10,921
Instructional Staff	25,229
Administration	5,224
Fiscal	902
Operation and Maintenance of Plant	52,424
Pupil Transportation	100,063
Non-Instructional Services	21,265
Extracurricular Activities	83,696
Total Depreciation Expense	\$571,896

Note 11 - Interfund Assets/Liabilities

At June 30, 2007, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$28,044, resulting from the provision of cash flow resources until the receipt of grant monies and for services provided.

Note 12 - 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 2007, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Automobile Liability	\$2,000,000
Uninsured Motorist	1,000,000
Buildings and Contents/Boiler and Machinery	61,240,298
General School District Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000
Excess Liability	1,000,000

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

Note 12 - Risk Management (continued)

For fiscal year 2007 the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The School District participated in the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), a public entity shared risk pool consisting of eight school districts and the Champaign County and Delaware/Union County Educational Service Centers. The School District pays monthly premiums to the Trust for employee medical, dental, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

Note 13 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation 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 contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$1,064,634, \$1,024,005, and \$1,009,735, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$29,628 made by the School District and \$57,691 made by plan members.

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

Note 13 - Defined Benefit Pension Plans (continued)

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$266,125, \$241,407, and \$220,204, respectively; 45 percent has been contributed for the fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - 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 classified 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 obligation 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$84,174.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$132,564 for fiscal year 2006.

Note 14 - Postemployment Benefits (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

Note 15 - 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 year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of two hundred forty-five days for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit. In addition, sick leave in excess of one hundred twenty days is calculated on a basis of the total accumulated sick leave days up to and including two hundred thirty days multiplied by .357 for classified employees, and up to and including two hundred thirty days multiplied by .333 for certified employees.

B. Health Care Benefits

The School District offers medical, dental, and life insurance benefits to employees through the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. Depending on the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Building Bonds FY 1996					
Term Bonds 5-6.85%	\$6,000,000	\$0	\$465,000	\$5,535,000	\$480,000
Refunding School Building Bonds FY 2005					
Serial Bonds 2-4%	4,320,008	0	55,000	4,265,008	55,000
Capital Appreciation Bonds 14.24%	204,992		0	204,992	0
Accretion on Capital Appreciation Bonds	53,400	38,103	0	91,503	0
Premium	382,426	0	4,648	377,778	0
Accounting Loss	(291,069)	0	(3,538)	(287,531)	0
Paving Project Loan FY 2005 3.650%	232,000	0	59,000	173,000	60,000
Total General Long-Term Obligations	10,901,757	38,103	580,110	10,359,750	595,000
Compensated Absences	1,495,600	136,853	40,330	1,592,123	49,953
Capital Leases	195,850	66,037	60,018	201,869	46,731
Total Governmental Activities Long-Term Obligations	\$12,593,207	\$240,993	\$680,458	\$12,153,742	\$691,684

FY 1996 School Building Bonds - On December 1, 1995, the School District issued \$14,000,000 in voted general obligation bonds for improving and constructing school buildings and facilities. The bonds were issued for a twenty-five year period, with final maturity in fiscal year 2021. The bonds are being retired through the Bond Retirement debt service fund.

FY 2005 Refunding School Building Bonds - On October 1, 2004, the School District issued bonds, in the amount of \$4,650,000, to partially refund bonds previously issued in fiscal year 1996, in the amount of \$4,650,000, for improving and constructing school buildings and facilities. The refunding bond issue included serial and capital appreciation bonds, in the amount of \$4,445,008 and \$204,992, respectively. The bonds were issued for a sixteen year period, with final maturity during fiscal year 2021.

The serial bonds are subject to prior redemption on or after December 1, 2014, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 16 - Long-Term Obligations (continued)

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2014 through 2016. The maturity amount of the bonds is \$1,050,000. For fiscal year 2007, \$38,103 was accreted on the capital appreciation bonds for a total value of \$296,495 at fiscal year end.

FY 2005 Paving Project Loan - On August 5, 2004, the School District obtained a loan, in the amount of \$290,000 to pave a parking lot at the high school. The loan has an interest rate of 3.65 percent. The loan will be paid over a five year period, with final maturity in fiscal year 2010. The loan is being retired from the Permanent Improvement capital projects fund.

Compensated absences will be paid from the General Fund and the Lunchroom special revenue fund. Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$30,137,600 with an unvoted debt margin of \$274,951 at June 30, 2007.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Term	Serial	Capital Appreciation	Interest	Total
2008	\$480,000	\$55,000	\$0	\$528,198	\$1,063,198
2009	510,000	55,000	0	492,846	1,057,846
2010	545,000	60,000	0	455,056	1,060,056
2011	560,000	60,000	0	415,335	1,035,335
2012	605,000	60,000	0	373,409	1,038,409
2013-2017	2,835,000	130,000	204,992	2,018,671	5,188,663
2018-2021	0	3,845,008	0	313,645	4,158,653
	\$5,535,000	\$4,265,008	\$204,992	\$4,597,160	\$14,602,160

Fiscal Year Ending	Paving Project Loan	
	Principal	Interest
2008	60,000	6,332
2009	63,000	4,280
2010	50,000	2,124
Totals	\$173,000	\$12,736

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new capital lease is reflected in the accounts "Regular Instruction" and "Inception of Capital Lease" in the fund which will be making the lease payment. Capital leases payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$44,972. During fiscal year 2007, a capital lease was terminated which resulted in a reduction in the capital lease liability of \$15,046.

	Governmental Activities
Equipment under Capital Lease	\$262,149
Less Accumulated Depreciation	(78,910)
Total June 30, 2007	\$183,239

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

Year	Governmental Activities	
	Principal	Interest
2008	\$46,731	\$22,037
2009	51,908	15,916
2010	58,781	9,043
2011	31,149	2,593
2012	13,300	620
Total	\$201,869	\$50,209

Note 18 - Set Asides

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

Note 18 - Set Asides (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$207,909)	\$0
Current Year Set Aside Requirement	337,157	337,157
Current Year Offsets	0	(337,157)
Qualifying Expenditures	(560,649)	0
Balance June 30, 2007	(\$431,401)	\$0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

Note 19 - Interfund Transfers

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$2,867, to subsidize operations of other funds.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$25,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$29,472 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

Note 21 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot 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 TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2007, the School District paid \$153,227 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Note 21 - Jointly Governed Organizations (continued)

B. Delaware Joint Vocational School

The Delaware Joint Vocational School is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school district's Boards of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Delaware Joint Vocational School, 4565 Columbus Pike Road, Delaware, Ohio 43015.

C. Central Ohio Regional Professional Development Center

The Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Delaware, Licking, Franklin, Madison, Pickaway, and Union Counties. The Center was formed to advance the State Board of Education's mission that all students can learn by creating a high performance system of education. The Center's purpose is to provide long-term ongoing meaningful professional development for all educators and school support personnel. The Center is governed by a twenty-two member Board made up of representatives from the participating school districts, the business community, and three institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

D. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a one hundred five member board including the superintendent from the eighty-nine participating School Districts, two representatives from a non-public school, six representatives from participating educational service centers, two representatives from the Department of Youth Services, five representatives from special education facilities, and one parent of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Central Ohio Special Education Regional Resource Center, 470 Glenmont Avenue, Columbus, Ohio 43214.

E. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

Note 22 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust

The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust) is a public entity shared risk pool consisting of seven school districts and the Champaign County and Delaware/Union County Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit association under Section 501 (c) (9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from the North Union Local School District, 12920 State Route 739, Richwood, Ohio, 43344.

Note 23 - 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 is 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, 2007.

B. Litigation

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District Board of Education is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$3,947 per year. A portion of the refund may be recovered from additional State entitlement payments.

SUPPLEMENTARY DATA

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(B) Food Donation	10.550	N/A	\$ 31,065	\$ 31,065
Total Food Donation			<u>31,065</u>	<u>31,065</u>
Nutrition Cluster:				
(C) (D) School Breakfast Program	10.553	046755-05PU-2006	2,828	2,828
(C) (D) School Breakfast Program	10.553	046755-05PU-2007	10,088	10,088
Total School Breakfast Program			<u>12,916</u>	<u>12,916</u>
(C) (D) National School Lunch Program	10.555	046755-LLP4-2007	92,402	92,402
(C) (D) National School Lunch Program	10.555	046755-LLP4-2006	29,378	29,378
Total National School Lunch Program			<u>121,780</u>	<u>121,780</u>
(C) (D) Special Milk Program for Children	10.556	046755-02PU-2006	995	995
(C) (D) Special Milk Program for Children	10.556	046755-02PU-2007	2,221	2,221
Total Special Milk Program for Children			<u>3,216</u>	<u>3,216</u>
Total Nutrition Cluster			<u>137,912</u>	<u>137,912</u>
Total U.S. Department of Agriculture			<u>168,977</u>	<u>168,977</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	046755-C1S1-2006	5,689	3,959
Title I Grants to Local Educational Agencies	84.010	046755-C1S1-2007	157,687	156,934
Total Title I Grants to Local Educational Agencies			<u>163,376</u>	<u>160,893</u>
Special Education Cluster:				
(E) Special Education_Grants to States	84.027	046755-6BSF-2006	-	5,326
(E) Special Education_Grants to States	84.027	046755-6BSF-2007	526,514	519,310
Total Special Education_Grants to States			<u>526,514</u>	<u>524,636</u>
(E) Special Education_Preschool Grants	84.173	046755-PGS1-2007	5,184	5,184
Total Special Education_Preschool Grants			<u>5,184</u>	<u>5,184</u>
Total Special Education Cluster			<u>531,698</u>	<u>529,820</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	046755-DRS1-2007	5,706	5,706
Total Safe and Drug-Free Schools and Communities_State Grants			<u>5,706</u>	<u>5,706</u>
State Grants for Innovative Programs	84.298	046755-C2S1-2007	3,175	3,175
Total State Grants for Innovative Programs			<u>3,175</u>	<u>3,175</u>
Education Technology State Grants	84.318	046755-TJS1-2007	1,904	1,904
Total Education Technology State Grants			<u>1,904</u>	<u>1,904</u>
(F) Improving Teacher Quality State Grants	84.367	046755-TRS1-2006	6,958	5,040
Improving Teacher Quality State Grants	84.367	046755-TRS1-2007	70,564	70,564
Total Improving Teacher Quality State Grants			<u>77,522</u>	<u>75,604</u>
Total U.S. Department of Education			<u>783,381</u>	<u>777,102</u>

-Continued

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES				
Temporary Assistance for Needy Families	93.558	N/A	\$ 39,930	\$ 39,930
Total Temporary Assistance for Needy Families			<u>39,930</u>	<u>39,930</u>
Total U.S. Department of Health and Human Services			<u>39,930</u>	<u>39,930</u>
Total Federal Financial Assistance			<u>\$ 992,288</u>	<u>\$ 986,009</u>

- (A) This schedule was prepared on the cash basis of accounting.
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (C) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Special Education Grant Cluster" in determining major programs.
- (F) Amount of \$3,232 transferred to the next grant year based on Ohio Department of Education administrative action.



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

Board of Education
Buckeye Valley Local School District
679 Coover Road
Delaware, OH 43015

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Buckeye Valley Local School District's basic financial statements and have issued our report thereon dated January 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buckeye Valley Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buckeye Valley Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Buckeye Valley Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Buckeye Valley Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Buckeye Valley Local School District's financial statements that is more than inconsequential will not be prevented or detected by Buckeye Valley Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Buckeye Valley Local School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Buckeye Valley Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buckeye Valley 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Buckeye Valley Local School District in a separate letter dated January 30, 2008.

This report is intended solely for the information and use of the management and Board of Education of Buckeye Valley Local School District 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 cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
January 30, 2008



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Buckeye Valley Local School District
679 Coover Road
Delaware, OH 43015

Compliance

We have audited the compliance of Buckeye Valley Local School District, Delaware County, Ohio, 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 fiscal year ended June 30, 2007. Buckeye Valley Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Buckeye Valley Local School District's management. Our responsibility is to express an opinion on Buckeye Valley 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 A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Buckeye Valley 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 on Buckeye Valley Local School District's compliance with those requirements.

In our opinion, Buckeye Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

The management of Buckeye Valley 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 Valley Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Buckeye Valley Local School District's internal control over compliance.

Board of Education
Buckeye Valley Local School District

A control deficiency in Buckeye Valley Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Buckeye Valley Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Buckeye Valley Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Buckeye Valley Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of Buckeye Valley Local School District 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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 30, 2008

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster: Special Education Grants to States - CFDA #84.027 and Special Education Preschool Grants - CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
JUNE 30, 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Revised Code Section 9.38 – Deposit of Public Funds	Yes	N/A
2006-002	Student Age Child Care (SACC) Tuition Receipts	Yes	N/A
2006-003	Student Activity Documentation	Yes	N/A
2006-004	District did not provide personnel activity reports /certification for the Improving Teacher Quality grant.	Yes	N/A



Mary Taylor, CPA
Auditor of State

BUCKEYE VALLEY LOCAL SCHOOL DISTRICT

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2008**