

Dave Yost • Auditor of State



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Valley Local School District  
Delaware County  
679 Coover Road  
Delaware, Ohio 43015

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Valley Local School District, Delaware County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Valley Local School District, Delaware County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Robert R Hinkle, CPA, CGFM**  
Chief Deputy Auditor

March 5, 2013

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The management's discussion and analysis of the Buckeye Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities increased \$603,841, which represents a 4.00% increase from fiscal year 2011.
- General revenues accounted for \$23,788,810 in revenue or 86.61% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$3,676,639 or 13.39% of total revenues of \$27,465,449.
- The District had \$26,861,608 in expenses related to governmental activities; \$3,676,639 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$23,788,810 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$21,675,119 in revenues and \$21,194,648 in expenditures. During fiscal year 2012, the general fund's fund balance increased \$480,471 from \$4,572,133 to \$5,052,604.
- The debt service fund had \$2,168,034 in revenues and \$2,107,294 in expenditures. During fiscal year 2012, the debt service fund's fund balance increased \$60,740 from \$975,307 to \$1,036,047.
- The building fund had \$9,194 in revenues and \$3,797,399 in expenditures. During fiscal year 2012, the building fund's fund balance decreased \$3,788,205 from \$5,715,947 to \$1,927,742. This decrease is mainly due to cash outflows related to the District's building construction project that was ongoing during fiscal year 2012.

**Using these Basic Financial Statements**

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District's major governmental funds are the general fund, debt service fund and building fund.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13 and 14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-53 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	<b>Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Assets</u></b>		
Current and other assets	\$ 22,713,521	\$ 25,824,490
Capital assets, net	<u>29,522,156</u>	<u>27,230,842</u>
Total assets	<u>52,235,677</u>	<u>53,055,332</u>
<b><u>Liabilities</u></b>		
Current liabilities	12,147,628	12,620,833
Long-term liabilities	<u>24,373,553</u>	<u>25,323,844</u>
Total liabilities	<u>36,521,181</u>	<u>37,944,677</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	9,282,392	9,306,906
Restricted	1,779,693	1,968,354
Unrestricted	<u>4,652,411</u>	<u>3,835,395</u>
Total net assets	<u>\$ 15,714,496</u>	<u>\$ 15,110,655</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$15,714,496.

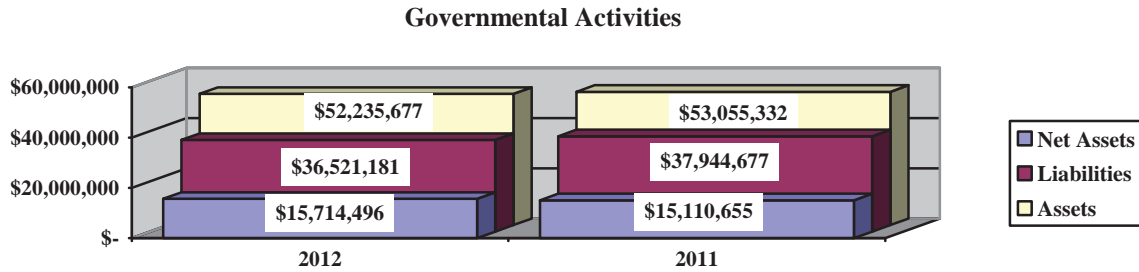
At year-end, capital assets represented 56.52% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$9,282,392. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,779,693, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$1,037,331 is restricted for debt service and \$449,838 is restricted for capital projects. The remaining balance of unrestricted net assets is \$4,652,411.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



The table below shows the change in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,131,726	\$ 1,929,603
Operating grants and contributions	1,408,913	2,247,687
Capital grants and contributions	136,000	-
General revenues:		
Property taxes	11,908,696	11,837,778
Income taxes	5,300,391	4,658,303
Grants and entitlements	6,385,213	6,646,239
Investment earnings	12,777	42,778
Other	<u>181,733</u>	<u>76,387</u>
Total revenues	<u>27,465,449</u>	<u>27,438,775</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 11,474,757	\$ 11,562,228
Special	1,958,095	1,954,527
Vocational	242,138	254,049
Other	17,428	16,080
Support services:		
Pupil	2,342,325	2,002,362
Instructional staff	547,548	457,391
Board of education	180,753	162,806
Administration	2,218,362	2,082,001
Fiscal	641,584	607,428
Operations and maintenance	2,453,798	2,666,576
Pupil transportation	2,035,107	1,831,372
Central	40,744	38,148
Operation of non-instructional services:		
Other non-instructional services	30,669	27,062
Food service operations	908,838	833,200
Extracurricular activities	602,241	593,702
Interest and fiscal charges	<u>1,167,221</u>	<u>1,198,491</u>
Total expenses	<u>26,861,608</u>	<u>26,287,423</u>
Change in net assets	603,841	1,151,352
Net assets at beginning of year	<u>15,110,655</u>	<u>13,959,303</u>
Net assets at end of year	<u>\$ 15,714,496</u>	<u>\$ 15,110,655</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$603,841. Total governmental expenses of \$26,861,608 were offset by program revenues of 3,676,639 and general revenues of \$23,788,810. Program revenues supported 13.69% of the total governmental expenses.

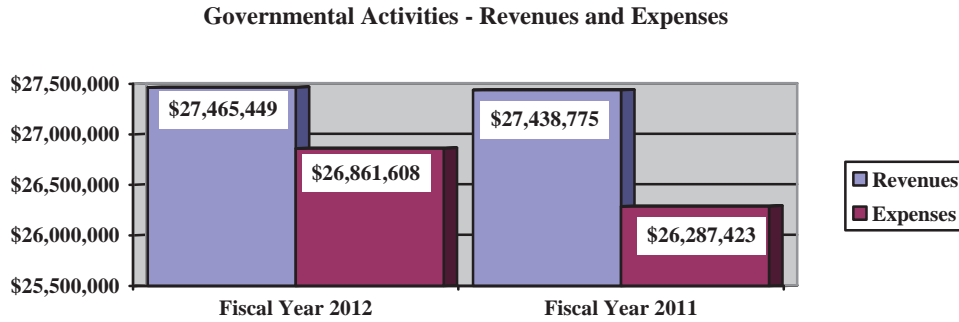
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 85.91% of total governmental revenue. The decrease in operating grants and contributions is primarily due to the decline in education stabilization and education jobs program federal funding. The increase in income tax revenue is mainly due to an improving local economy and the recording of an additional month of income tax revenue receivable at June 30, 2012 from the third quarter distribution statement.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$13,692,418 or 50.97% of total governmental expenses for fiscal year 2012.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Program expenses</b>				
Instruction:				
Regular	\$ 11,474,757	\$ 10,420,208	\$ 11,562,228	\$ 10,392,449
Special	1,958,095	1,572,361	1,954,527	1,424,558
Vocational	242,138	104,830	254,049	53,930
Other	17,428	17,428	16,080	16,080
Support services:				
Pupil	2,342,325	1,812,242	2,002,362	1,423,505
Instructional staff	547,548	401,805	457,391	348,086
Board of education	180,753	180,753	162,806	156,933
Administration	2,218,362	2,209,362	2,082,001	1,776,938
Fiscal	641,584	641,584	607,428	607,428
Operations and maintenance	2,453,798	2,429,794	2,666,576	2,591,800
Pupil transportation	2,035,107	1,964,540	1,831,372	1,732,058
Central	40,744	40,744	38,148	33,148
Operation of non-instructional services:				
Other non-instructional services	30,669	12,361	27,062	12,834
Food service operations	908,838	48,785	833,200	(9,155)
Extracurricular activities	602,241	160,951	593,702	351,050
Interest and fiscal charges	1,167,221	1,167,221	1,198,491	1,198,491
<b>Total</b>	<u>\$ 26,861,608</u>	<u>\$ 23,184,969</u>	<u>\$ 26,287,423</u>	<u>\$ 22,110,133</u>

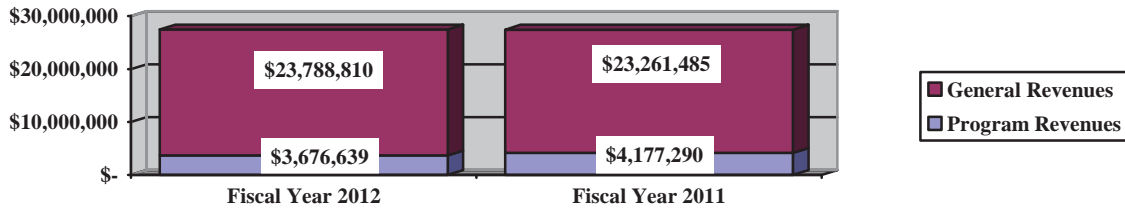
**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 88.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.31%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$9,184,032, which is less than last year's total balance of \$12,054,032. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 5,052,604	\$ 4,572,133	\$ 480,471	10.51 %
Debt Service	1,036,047	975,307	60,740	6.23 %
Building	1,927,742	5,715,947	(3,788,205)	(66.27) %
Other Governmental	<u>1,167,639</u>	<u>790,645</u>	<u>376,994</u>	47.68 %
Total	<u>\$ 9,184,032</u>	<u>\$ 12,054,032</u>	<u>\$ (2,870,000)</u>	(23.81) %

**General Fund**

During fiscal year 2012, the District's general fund balance increased \$480,471.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 14,176,285	\$ 13,926,518	\$ 249,767	1.79 %
Tuition	1,090,667	948,595	142,072	14.98 %
Earnings on investments	4,644	8,842	(4,198)	(47.48) %
Intergovernmental	6,007,102	6,338,924	(331,822)	(5.23) %
Other revenues	<u>396,421</u>	<u>235,839</u>	<u>160,582</u>	68.09 %
Total	<u>\$ 21,675,119</u>	<u>\$ 21,458,718</u>	<u>\$ 216,401</u>	1.01 %
<b><u>Expenditures</u></b>				
Instruction	\$ 12,116,475	\$ 13,049,866	\$ (933,391)	(7.15) %
Support services	8,747,989	8,281,362	466,627	5.63 %
Extracurricular activities	294,686	314,258	(19,572)	(6.23) %
Non-instructional	16,984	14,086	2,898	20.57 %
Debt service	<u>18,514</u>	<u>38,337</u>	<u>(19,823)</u>	(51.71) %
Total	<u>\$ 21,194,648</u>	<u>\$ 21,697,909</u>	<u>\$ (503,261)</u>	(2.32) %

Overall revenues of the general fund increased \$216,401 or 1.01%. Tuition revenue increased \$142,072 or 14.98% primarily due to increases in both open enrollment and early childhood care tuition receipts. Earnings on investments decreased \$4,198 or 47.48% due to declining interest rates. Other revenues increased \$160,582 or 68.09% mainly due to increases in revenue related to extracurricular activities, contributions and donations, and receipts from other local sources. All other revenue classifications remained comparable to fiscal year 2011.

Overall expenditures of the general fund decreased \$503,261 or 2.32%. Instruction expenditures decreased \$933,391 or 7.15% primarily due to a decline in wages paid by the District during fiscal year 2012 and reduced costs related to vocational programs. Debt service expenditures decreased \$19,823 or 51.71% mainly due to the retirement of a capital lease obligation during fiscal year 2011. All other expenditure classifications remained comparable to fiscal year 2011.

***Debt Service Fund***

The debt service fund had \$2,168,034 in revenues and \$2,107,294 in expenditures. During fiscal year 2012, the debt service fund's fund balance increased \$60,740 from \$975,307 to \$1,036,047.

***Building Fund***

The building fund had \$9,194 in revenues and \$3,797,399 in expenditures. During fiscal year 2012, the building fund's fund balance decreased \$3,788,205 from \$5,715,947 to \$1,927,742. This decrease is mainly due to cash outflows related to the District's building construction project that was ongoing during fiscal year 2012.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

***General Fund Budgeting Highlights***

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

For the general fund, final budgeted revenues and other financing sources of \$22,000,000 matched exactly to the original budgeted amounts. Actual revenues and other financing sources of \$20,898,003 were \$1,101,997 less than final budgeted amounts.

General fund actual expenditures plus other financing uses of \$21,053,111 were \$490,196 lower than the final appropriations (appropriated expenditures plus other financing uses) of \$21,543,307. Final appropriations were \$52,031 greater than original appropriations of \$21,491,276.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the District had \$29,522,156 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The table that follows shows June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 498,673	\$ 498,673
Construction in progress	-	10,002,916
Land improvements	1,030,566	994,451
Buildings and improvements	26,177,747	13,910,956
Furniture and equipment	638,503	593,137
Vehicles	1,094,334	1,145,642
Infrastructure	82,333	85,067
Total	\$ 29,522,156	\$ 27,230,842

The increase in capital assets of \$2,291,314 is attributable to capital outlays of \$2,930,111 exceeding depreciation expense of \$632,185 and net disposals of \$6,612 during fiscal year 2012.

See Note 9 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2012 the District had \$22,218,213 in general obligation bonds and capital lease obligations outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds for both the refunding bonds and school facilities bonds. Of this total, \$1,120,758 is due within one year and \$21,097,455 is due in more than one year.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The table that follows summarizes the outstanding debt at June 30, 2012 and June 30, 2011.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Series 1995 general obligation bonds	\$ 2,835,000	\$ 3,440,000
Series 2004 refunding bonds - current interest	3,975,008	4,035,008
Series 2004 refunding bonds - capital appreciation	582,899	507,989
Series 2009 school facilities bonds - current interest	14,145,000	14,550,000
Series 2009 school facilities bonds - capital appreciation	679,548	582,382
Capital leases	<u>758</u>	<u>18,401</u>
Total	<u>\$ 22,218,213</u>	<u>\$ 23,133,780</u>

At June 30, 2012, the District's overall legal debt margin was \$24,803,550 with an unvoted debt margin of \$503,861.

See Note 14 to the basic financial statements for detail on the District's debt administration.

**Current Financial Related Activities**

The District is currently putting the final touches on a high school renovation project that was started in January of 2010 with an early work package and was materially completed and put to use during fiscal year 2012.

In the November 2011 election, the District asked voters to approve an income tax increase of 0.5%, which would have generated approximately \$2.3 million per year for the District in operating funds. The increase did not pass. In the August 2012 election, the District put a dual issue on the ballot, asking voters for a 0.25% income tax increase combined with a 3.5 mill bond issue to build one new elementary school. At the March 28, 2011 regular meeting, the Board of Education approved a budget reduction plan that included the closing of North Elementary at the end of the 2011/2012 school year. At that same meeting, the Board passed a resolution to approve the re-opening of North Elementary at the beginning of the 2012/2013 school year if the combined bond issue/income tax increase was ultimately approved at the August 2012 election. The dual issue did not pass at the August 2012 election; therefore North Elementary remains closed.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sandra Griscom, Treasurer, Buckeye Valley Local School District, 679 Coover Road, Delaware, Ohio 43015.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 7,826,903
Receivables:	
Property taxes . . . . .	12,022,344
Income taxes . . . . .	2,256,021
Accounts . . . . .	33,107
Accrued interest . . . . .	1,058
Intergovernmental . . . . .	186,849
Prepayments . . . . .	3,101
Materials and supplies inventory . . . . .	5,926
Inventory held for resale . . . . .	3,014
Unamortized bond issuance costs . . . . .	375,198
Capital assets:	
Land . . . . .	498,673
Depreciable capital assets, net . . . . .	29,023,483
Total capital assets . . . . .	29,522,156
 Total assets . . . . .	 52,235,677
 <b>Liabilities:</b>	
Accounts payable . . . . .	17,936
Contracts payable . . . . .	2,173
Accrued wages and benefits . . . . .	1,680,749
Pension obligation payable . . . . .	430,278
Intergovernmental payable . . . . .	117,248
Unearned revenue . . . . .	9,821,217
Accrued interest payable . . . . .	78,027
Long-term liabilities:	
Due within one year . . . . .	1,380,117
Due in more than one year . . . . .	22,993,436
 Total liabilities . . . . .	 36,521,181
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	9,282,392
Restricted for:	
Debt service . . . . .	1,037,331
Capital projects . . . . .	449,838
Locally funded programs . . . . .	3,435
Federally funded programs . . . . .	2,205
Student activities . . . . .	51,169
School farm program . . . . .	131,020
Other purposes . . . . .	104,695
Unrestricted . . . . .	4,652,411
 Total net assets . . . . .	 \$ 15,714,496

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 11,474,757	\$ 1,046,755	\$ 7,794	\$ -	\$ (10,420,208)
Special . . . . .	1,958,095	32,185	353,549	-	(1,572,361)
Vocational . . . . .	242,138	123,656	13,652	-	(104,830)
Other . . . . .	17,428	-	-	-	(17,428)
Support services:					
Pupil . . . . .	2,342,325	67,041	463,042	-	(1,812,242)
Instructional staff . . . . .	547,548	5,921	139,822	-	(401,805)
Board of education . . . . .	180,753	-	-	-	(180,753)
Administration . . . . .	2,218,362	-	9,000	-	(2,209,362)
Fiscal . . . . .	641,584	-	-	-	(641,584)
Operations and maintenance . . . . .	2,453,798	21,470	2,534	-	(2,429,794)
Pupil transportation . . . . .	2,035,107	4,553	66,014	-	(1,964,540)
Central . . . . .	40,744	-	-	-	(40,744)
Operation of non-instructional services:					
Other non-instructional services . . . . .	30,669	18,308	-	-	(12,361)
Food service operations . . . . .	908,838	518,463	341,590	-	(48,785)
Extracurricular activities . . . . .	602,241	293,374	11,916	136,000	(160,951)
Interest and fiscal charges . . . . .	1,167,221	-	-	-	(1,167,221)
<b>Totals . . . . .</b>	<b>\$ 26,861,608</b>	<b>\$ 2,131,726</b>	<b>\$ 1,408,913</b>	<b>\$ 136,000</b>	<b>(23,184,969)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	9,321,478
Debt service . . . . .	1,909,924
Capital projects . . . . .	677,294
Income taxes levied for:	
General purposes . . . . .	5,300,391
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	6,385,213
Miscellaneous . . . . .	12,777
	181,733
<b>Total general revenues . . . . .</b>	<b>23,788,810</b>
Change in net assets . . . . .	603,841
<b>Net assets at beginning of year . . . . .</b>	<b>15,110,655</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 15,714,496</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 4,025,665	\$ 759,103	\$ 1,929,915	\$ 1,112,220	\$ 7,826,903
Receivables:					
Property taxes . . . . .	9,403,093	1,933,570	-	685,681	12,022,344
Income taxes . . . . .	2,256,021	-	-	-	2,256,021
Accounts . . . . .	32,434	-	-	673	33,107
Accrued interest . . . . .	1,058	-	-	-	1,058
Intergovernmental . . . . .	95,702	-	-	91,147	186,849
Interfund loans . . . . .	8,738	-	-	-	8,738
Prepayments . . . . .	3,101	-	-	-	3,101
Materials and supplies inventory . . . . .	5,926	-	-	-	5,926
Inventory held for resale . . . . .	-	-	-	3,014	3,014
Total assets . . . . .	<u>\$ 15,831,738</u>	<u>\$ 2,692,673</u>	<u>\$ 1,929,915</u>	<u>\$ 1,892,735</u>	<u>\$ 22,347,061</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 16,075	\$ -	\$ -	\$ 1,861	\$ 17,936
Contracts payable . . . . .	-	-	2,173	-	2,173
Accrued wages and benefits . . . . .	1,588,608	-	-	92,141	1,680,749
Compensated absences payable . . . . .	120,105	-	-	473	120,578
Pension obligation payable . . . . .	400,951	-	-	29,327	430,278
Intergovernmental payable . . . . .	112,165	-	-	5,083	117,248
Interfund loans payable . . . . .	-	-	-	8,738	8,738
Deferred revenue . . . . .	856,659	79,311	-	28,142	964,112
Unearned revenue . . . . .	7,684,571	1,577,315	-	559,331	9,821,217
Total liabilities . . . . .	<u>10,779,134</u>	<u>1,656,626</u>	<u>2,173</u>	<u>725,096</u>	<u>13,163,029</u>
<b>Fund Balances:</b>					
Nonspendable:					
Prepayments . . . . .	3,101	-	-	-	3,101
Materials and supplies inventory . . . . .	5,926	-	-	3,014	8,940
Restricted:					
Debt service . . . . .	-	1,036,047	-	-	1,036,047
Capital improvements . . . . .	-	-	1,927,742	-	1,927,742
Food service operations . . . . .	-	-	-	124,522	124,522
Targeted academic assistance . . . . .	-	-	-	2,205	2,205
Extracurricular . . . . .	-	-	-	51,169	51,169
Other purposes . . . . .	-	-	-	134,462	134,462
Committed:					
Capital improvements . . . . .	-	-	-	859,637	859,637
Assigned:					
Student instruction . . . . .	96,594	-	-	-	96,594
Student and staff support . . . . .	253,114	-	-	-	253,114
School supplies . . . . .	25,958	-	-	-	25,958
Student age child care . . . . .	125,071	-	-	-	125,071
Other purposes . . . . .	15,274	-	-	-	15,274
Unassigned (deficit) . . . . .	4,527,566	-	-	(7,370)	4,520,196
Total fund balances . . . . .	<u>5,052,604</u>	<u>1,036,047</u>	<u>1,927,742</u>	<u>1,167,639</u>	<u>9,184,032</u>
Total liabilities and fund balances . . . . .	<u>\$ 15,831,738</u>	<u>\$ 2,692,673</u>	<u>\$ 1,929,915</u>	<u>\$ 1,892,735</u>	<u>\$ 22,347,061</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund balances</b>		\$ 9,184,032
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,522,156
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 491,238	
Income taxes receivable	358,187	
Accounts receivable	30,278	
Intergovernmental receivable	84,409	
Total		964,112
Unamortized premiums on bond issuance are not recognized in the funds.		(780,992)
Unamortized bond issuance costs are not recognized in the funds.		375,198
Unamortized deferred charges on refundings are not recognized in the funds.		268,878
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(78,027)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(1,522,648)	
General obligation bonds payable	(22,217,455)	
Capital lease obligations payable	(758)	
Total		(23,740,861)
<b>Net assets of governmental activities</b>		<b>\$ 15,714,496</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 9,234,081	\$ 1,892,785	\$ -	\$ 671,199	\$ 11,798,065
Income taxes . . . . .	4,942,204	-	-	-	4,942,204
Tuition . . . . .	1,090,667	-	-	-	1,090,667
Charges for services . . . . .	-	-	-	514,797	514,797
Earnings on investments . . . . .	4,644	484	9,194	381	14,703
Extracurricular . . . . .	108,677	-	-	175,080	283,757
Classroom materials and fees . . . . .	91,939	-	-	123,656	215,595
Rental income . . . . .	13,097	-	-	8,344	21,441
Contributions and donations . . . . .	27,012	-	-	15,439	42,451
Contract services . . . . .	975	-	-	-	975
Other local revenues . . . . .	154,721	-	-	13,751	168,472
Intergovernmental - state . . . . .	5,951,113	274,765	-	137,394	6,363,272
Intergovernmental - federal . . . . .	55,989	-	-	1,529,869	1,585,858
Total revenues . . . . .	<u>21,675,119</u>	<u>2,168,034</u>	<u>9,194</u>	<u>3,189,910</u>	<u>27,042,257</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	10,539,834	-	-	230,962	10,770,796
Special . . . . .	1,537,046	-	-	333,930	1,870,976
Vocational . . . . .	22,866	-	-	204,135	227,001
Other . . . . .	16,729	-	-	-	16,729
Support services:					
Pupil . . . . .	1,732,071	-	-	503,766	2,235,837
Instructional staff . . . . .	356,400	-	-	143,833	500,233
Board of education . . . . .	173,413	-	-	93	173,506
Administration . . . . .	2,116,696	-	-	9,000	2,125,696
Fiscal . . . . .	570,416	32,885	-	11,829	615,130
Operations and maintenance . . . . .	2,198,828	-	-	104,285	2,303,113
Pupil transportation . . . . .	1,560,900	-	-	208,896	1,769,796
Central . . . . .	39,265	-	-	-	39,265
Operation of non-instructional services:					
Other non-instructional services . . . . .	16,984	-	-	-	16,984
Food service operations . . . . .	-	-	-	860,892	860,892
Extracurricular activities . . . . .	294,686	-	-	201,295	495,981
Facilities acquisition and construction . . . . .	-	-	3,797,399	-	3,797,399
Debt service:					
Principal retirement . . . . .	17,643	1,070,000	-	-	1,087,643
Interest and fiscal charges . . . . .	871	1,004,409	-	-	1,005,280
Total expenditures . . . . .	<u>21,194,648</u>	<u>2,107,294</u>	<u>3,797,399</u>	<u>2,812,916</u>	<u>29,912,257</u>
Net change in fund balances . . . . .	480,471	60,740	(3,788,205)	376,994	(2,870,000)
<b>Fund balances at beginning of year . . . . .</b>	<u>4,572,133</u>	<u>975,307</u>	<u>5,715,947</u>	<u>790,645</u>	<u>12,054,032</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,052,604</u>	<u>\$ 1,036,047</u>	<u>\$ 1,927,742</u>	<u>\$ 1,167,639</u>	<u>\$ 9,184,032</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Net change in fund balances - total governmental funds** \$ (2,870,000)

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

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

Capital asset additions	\$ 2,930,111	
Current year depreciation	(632,185)	
Total		2,297,926

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(6,612)

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

Property taxes	110,631	
Income taxes	358,187	
Earnings on investments	(1,851)	
Classroom materials and fees	(9,257)	
Intergovernmental revenue	(159,618)	
Total		298,092

Repayment of bond and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

General obligation bonds	1,070,000	
Capital lease obligations	17,643	
Total		1,087,643

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	4,527	
Accreted interest on "capital appreciation" bonds	(172,076)	
Amortization of bond issuance costs	(13,122)	
Amortization of bond premiums	22,589	
Amortization of deferred charges on refundings	(3,859)	
Total		(161,941)

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

(41,267)

**Change in net assets of governmental activities** \$ 603,841

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 9,525,176	\$ 9,525,176	\$ 9,116,916	\$ (408,260)
Income taxes. . . . .	5,181,262	5,181,262	4,795,412	(385,850)
Tuition. . . . .	546,268	546,268	531,779	(14,489)
Earnings on investments . . . . .	10,326	10,326	4,720	(5,606)
Extracurricular. . . . .	87,964	87,964	108,209	20,245
Classroom materials and fees . . . . .	56,002	56,002	55,124	(878)
Rental income . . . . .	4,920	4,920	13,338	8,418
Contributions and donations . . . . .	18,626	18,626	23,579	4,953
Contract services. . . . .	1,367	1,367	975	(392)
Other local revenues . . . . .	39,123	39,123	103,264	64,141
Intergovernmental - state . . . . .	6,352,545	6,352,545	5,951,113	(401,432)
Intergovernmental - federal . . . . .	51,655	51,655	52,988	1,333
Total revenues . . . . .	<u>21,875,234</u>	<u>21,875,234</u>	<u>20,757,417</u>	<u>(1,117,817)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,491,738	10,495,594	10,404,285	91,309
Special. . . . .	1,698,795	1,563,216	1,467,179	96,037
Vocational. . . . .	79,701	80,459	44,625	35,834
Other. . . . .	16,200	17,760	16,729	1,031
Support services:				
Pupil. . . . .	1,462,781	1,636,864	1,633,542	3,322
Instructional staff . . . . .	331,102	350,598	335,268	15,330
Board of education . . . . .	176,427	184,968	183,760	1,208
Administration. . . . .	2,062,489	2,082,551	2,064,509	18,042
Fiscal . . . . .	575,563	575,563	567,348	8,215
Operations and maintenance. . . . .	2,609,312	2,517,180	2,378,251	138,929
Pupil transportation . . . . .	1,676,318	1,676,318	1,590,265	86,053
Central. . . . .	31,175	39,715	39,302	413
Operation of non-instructional services:				
Other non-instructional services. . . . .	711	711	683	28
Extracurricular activities. . . . .	278,964	321,810	318,627	3,183
Total expenditures . . . . .	<u>21,491,276</u>	<u>21,543,307</u>	<u>21,044,373</u>	<u>498,934</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>383,958</u>	<u>331,927</u>	<u>(286,956)</u>	<u>(618,883)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures . . . . .	18,864	18,864	41,518	22,654
Advances in. . . . .	105,902	105,902	99,068	(6,834)
Advances (out) . . . . .	-	-	(8,738)	(8,738)
Total other financing sources (uses) . . . . .	<u>124,766</u>	<u>124,766</u>	<u>131,848</u>	<u>7,082</u>
Net change in fund balance . . . . .	508,724	456,693	(155,108)	(611,801)
<b>Fund balance at beginning of year . . . . .</b>	<b>3,264,945</b>	<b>3,264,945</b>	<b>3,264,945</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>357,326</b>	<b>357,326</b>	<b>357,326</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 4,130,995</u></b>	<b><u>\$ 4,078,964</u></b>	<b><u>\$ 3,467,163</u></b>	<b><u>\$ (611,801)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 48,931	\$ 64,973
Prepayments . . . . .	-	95
Total assets. . . . .	<u>48,931</u>	<u>\$ 65,068</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 256
Due to students. . . . .	-	64,812
Total liabilities . . . . .	<u>-</u>	<u>\$ 65,068</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	23,931	
Endowments . . . . .	<u>25,000</u>	
Total net assets . . . . .	<u>\$ 48,931</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 24
Gifts and contributions . . . . .	500
Total additions . . . . .	524
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net assets. . . . .	(476)
<b>Net assets at beginning of year . . . . .</b>	<b>49,407</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 48,931</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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

The District was established in 1961. The District serves an area of approximately one hundred ninety-six square miles and is located in Delaware, Marion, Morrow and Union Counties. The District is staffed by 85 classified employees, 151 certified teaching personnel and 11 administrative employees who provide services to 2,372 students and other community members. The District currently operates three elementary schools, a junior high school, a high school, an administration building and a bus garage.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public 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 Districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member Districts within each county, one representative from the city Districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2012, the District paid \$60,941 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

Delaware Area Career Center

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

Central Ohio Regional Professional Development Center

The Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the 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 Districts, the business community, and three institutions of higher learning. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained from the Southwestern City District, 2975 Kingston Avenue, Grove City, Ohio 43123.

Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*PUBLIC ENTITY RISK POOLS*

Ohio School Plan

The 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.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The 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.

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 Districts and the Champaign County and Central Ohio 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 District, 12920 State Route 739, Richwood, Ohio, 43344.

**B. Basis of Presentation**

The 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the 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 District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the 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 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 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 District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain 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 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.

**C. Fund Accounting**

The 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 District are divided into two categories, governmental and fiduciary.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the 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 following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Building fund* - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded in this fund represent the costs of acquiring and improving capital facilities, including real property.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The 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 District's agency funds account for various staff-related and student-managed activities.

**D. 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 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. Agency funds do not report a measurement focus as they do not report operations.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the 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 (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the income is earned (See Note 8). 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

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.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Budgetary Process**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Delaware County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the function level of expenditures for the general fund and fund level for all other funds, which is the legal level of budgetary control. 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 District Treasurer. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation or function level of the general fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2012. All amounts reported in the budgetary statement reflect the original appropriations and the final appropriations, including all modifications legally enacted by the Board.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**G. Cash and Investments**

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

During fiscal year 2012, investments included U.S. Government money markets and the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price which is the price the investment could be sold for on June 30, 2012.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

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 2012 was \$4,644, which includes \$823 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

**I. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Capital Assets**

Governmental capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost and updated for additions and deductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The 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, 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:

Description	Governmental Activities Estimated Lives
Land improvements	20 - 50 years
Buildings and improvements	25 - 133 years
Furniture and equipment	3 - 50 years
Vehicles	10 - 15 years
Infrastructure	50 years

**K. Interfund Balances**

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

**L. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**M. 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 and capital lease obligations are recognized as a liability on the fund financial statements when due.

**N. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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 gain or 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 an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 14.

**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 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 the food service fund and Brandon Wade Memorial fund (both nonmajor governmental funds).

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**P. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The District did not report any interfund transfers during fiscal year 2012.

**R. Contributions of Capital**

Contributions of capital in the government-wide financial statements arise from outside contributions of capital assets. During fiscal year 2012, the District received \$136,000 in capital contributions, which consisted of a fitness center donated by an outside source.

**S. 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.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Vocational education enhancement	\$ 15
Education jobs	3,869
Race to the top	6
IDEA, Part B	1,169
Title I	2,311

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$3,425 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$(148,863). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$11,729 of the District’s bank balance of \$328,311 was exposed to custodial risk as discussed below, while \$316,582 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	
U.S. Government money market	\$ 1,930,268	\$	1,930,268
STAR Ohio	6,155,977		6,155,977
Total	<u>\$ 8,086,245</u>	<u>\$</u>	<u>8,086,245</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio and the U.S. Government money market an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U.S. Government money market	\$ 1,930,268	23.87
STAR Ohio	<u>6,155,977</u>	<u>76.13</u>
Total	<u>\$ 8,086,245</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (148,863)
Investments	8,086,245
Cash on hand	<u>3,425</u>
Total	<u>\$ 7,940,807</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,826,903
Private-purpose trust fund	48,931
Agency fund	<u>64,973</u>
Total	<u>\$ 7,940,807</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 8,738</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

The District receives property taxes from Delaware, Morrow, Union and Marion Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,334,737 in the general fund, \$276,944 in the debt service fund and \$98,208 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,217,572 in the general fund, \$254,984 in the debt service fund and \$90,422 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 489,313,470	97.56	\$ 491,260,440	97.50
Public utility personal	<u>12,217,290</u>	<u>2.44</u>	<u>12,600,640</u>	<u>2.50</u>
Total	<u>\$ 501,530,760</u>	<u>100.00</u>	<u>\$ 503,861,080</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.73		\$ 34.73	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012, consisted of accounts (student fees and billings for user charged services), accrued interest, 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 receivables follows:

**Governmental activities:**

Property taxes	\$ 12,022,344
Income taxes	2,256,021
Accounts	33,107
Accrued interest	1,058
Intergovernmental	<u>186,849</u>
Total	<u>\$ 14,499,379</u>

**NOTE 8 - INCOME TAX**

The 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$4,942,204 was credited to the general fund during fiscal year 2012.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 498,673	\$ -	\$ -	\$ 498,673
Construction in progress	<u>10,002,916</u>	<u>2,528,786</u>	<u>(12,531,702)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>10,501,589</u>	<u>2,528,786</u>	<u>(12,531,702)</u>	<u>498,673</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,503,564	88,809	-	1,592,373
Building and improvements	19,104,897	12,578,893	-	31,683,790
Furniture and equipment	2,044,337	110,963	-	2,155,300
Vehicles	2,303,937	154,362	(131,078)	2,327,221
Infrastructure	<u>154,668</u>	<u>-</u>	<u>-</u>	<u>154,668</u>
Total capital assets, being depreciated	<u>25,111,403</u>	<u>12,933,027</u>	<u>(131,078)</u>	<u>37,913,352</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(509,113)	(52,694)	-	(561,807)
Building and improvements	(5,193,941)	(312,102)	-	(5,506,043)
Furniture and equipment	(1,451,200)	(65,597)	-	(1,516,797)
Vehicles	(1,158,295)	(199,058)	124,466	(1,232,887)
Infrastructure	<u>(69,601)</u>	<u>(2,734)</u>	<u>-</u>	<u>(72,335)</u>
Total accumulated depreciation	<u>(8,382,150)</u>	<u>(632,185)</u>	<u>124,466</u>	<u>(8,889,869)</u>
Depreciable capital assets, net	<u>16,729,253</u>	<u>12,300,842</u>	<u>(6,612)</u>	<u>29,023,483</u>
Governmental activities capital assets, net	<u>\$ 27,230,842</u>	<u>\$ 14,829,628</u>	<u>\$(12,538,314)</u>	<u>\$ 29,522,156</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 195,972
Special	15,382
Vocational	5,697
<u>Support services:</u>	
Pupil	11,026
Instructional staff	35,124
Administration	8,074
Fiscal	718
Operations and maintenance	50,922
Pupil transportation	201,658
<u>Operation of non-instructional services:</u>	
Other non-instructional services	12,976
Food service operations	8,978
Extracurricular activities	<u>85,658</u>
Total depreciation expense	<u>\$ 632,185</u>

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

For fiscal year 2012, the 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.

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	70,607,488
General District Liability	
Per Occurrence	2,000,000
Total Per Year	4,000,000
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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT - (Continued)**

**B. Worker's Compensation Rating Plan**

For fiscal year 2012, the 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 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 CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical, Dental and Life Insurance**

The District participated in the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), a public entity shared risk pool consisting of eight Districts and the Champaign County and Central Ohio Educational Service Centers. The 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 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$380,725, \$351,551 and \$365,398, respectively; 65.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - PENSION PLANS - (Continued)**

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,205,389, \$1,240,691 and \$1,269,938, respectively; 84.11 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$67,263 made by the District and \$48,045 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$59,606, \$85,442 and \$55,394, respectively; 65.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$22,484, \$22,623 and \$21,729, respectively; 65.74 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$92,722, \$95,438 and \$97,688, respectively; 84.11 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees 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 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  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - LONG-TERM OBLIGATIONS**

A. Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Balance Outstanding <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>June 30, 2012</u>	Amount Due in <u>One Year</u>
<u>General Obligation Bonds:</u>					
School Building Bonds (Series 1995)					
Term Bonds 5.00-6.85%	\$ 3,440,000	\$ -	\$ (605,000)	\$ 2,835,000	\$ 640,000
Refunding School Building Bonds (Series 2004)					
Serial Bonds 2.00-4.00%	4,035,008	-	(60,000)	3,975,008	65,000
Capital Appreciation Bonds	204,992	-	-	204,992	-
Accreted Interest on Capital Appreciation Bonds	302,997	74,910	-	377,907	-
School Facilities Bonds (Series 2009)					
Current Interest Bonds 2.50%-5.00%	14,550,000	-	(405,000)	14,145,000	415,000
Capital Appreciation Bonds	419,994	-	-	419,994	-
Accreted Interest on Capital Appreciation Bonds	162,388	97,166	-	259,554	-
Total, general obligation bonds	<u>23,115,379</u>	<u>172,076</u>	<u>(1,070,000)</u>	<u>22,217,455</u>	<u>1,120,000</u>
<u>Other Long-Term Obligations:</u>					
Capital lease obligations	18,401	-	(17,643)	758	758
Compensated absences	1,659,220	294,664	(310,658)	1,643,226	259,359
Total, other long-term obligations	<u>1,677,621</u>	<u>294,664</u>	<u>(328,301)</u>	<u>1,643,984</u>	<u>260,117</u>
Total, all governmental activities long-term liabilities	24,793,000	<u>\$ 466,740</u>	<u>\$ (1,398,301)</u>	23,861,439	<u>\$ 1,380,117</u>
Add: unamortized premiums	803,581			780,992	
Less: deferred charges on refunding	<u>(272,737)</u>			<u>(268,878)</u>	
Total on statement of net assets	<u>\$ 25,323,844</u>			<u>\$ 24,373,553</u>	

Compensated Absences: Compensated absences will be paid from the general fund, food service fund (a nonmajor governmental fund) and IDEA, Part B fund (a nonmajor governmental fund).

Capital Leases: Capital lease obligations will be paid from the general fund. See Note 15 for details.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

- B. School Building Bonds (Series 1995)** - On December 1, 1995, the 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 2016. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The interest rates on the bonds range from 5.00% to 6.85%. The bonds are being retired through the debt service fund.
- C. Refunding School Building Bonds (Series 2004)** - On October 1, 2004, the 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. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The bonds are being retired through the debt service fund.

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature on December 1, 2014, 2015 and 2016 (stated interest 14.24%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,050,000. Total accreted interest of \$377,907 has been included on the statement of net assets at June 30, 2012.

- D. School Facilities Bonds (Series 2009)** - On April 20, 2009, the District issued general obligation bonds to finance building construction and improvements. The issue is comprised of both current interest bonds, par value \$15,580,000, and capital appreciation bonds, par value \$419,994. The interest rate on the current interest bonds range from 2.50% to 5.00%. The capital appreciation bonds mature on December 1, 2015, 2016 and 2017 (stated interest 16.05%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,350,000. Total accreted interest of \$259,554 has been included on the statement of net assets at June 30, 2012. At June 30, 2012, the District had \$1,477,904 of unspent bond proceeds remaining on the bond issue.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2036.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

- E. Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2004			Capital Appreciation Bonds - Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 65,000	\$ 156,303	\$ 221,303	\$ -	\$ -	\$ -
2014	65,000	154,027	219,027	-	-	-
2015	-	152,890	152,890	17,454	52,546	70,000
2016	-	152,890	152,890	15,211	54,789	70,000
2017	-	152,890	152,890	172,327	737,673	910,000
2018 - 2021	3,845,008	313,645	4,158,653	-	-	-
Total	<u>\$ 3,975,008</u>	<u>\$ 1,082,645</u>	<u>\$ 5,057,653</u>	<u>\$ 204,992</u>	<u>\$ 845,008</u>	<u>\$ 1,050,000</u>

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2009			Capital Appreciation Bonds - Series 2009		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 415,000	\$ 620,750	\$ 1,035,750	\$ -	\$ -	\$ -
2014	430,000	609,650	1,039,650	-	-	-
2015	440,000	597,138	1,037,138	-	-	-
2016	-	590,538	590,538	162,081	287,919	450,000
2017	-	590,538	590,538	138,893	311,107	450,000
2018 - 2022	1,920,000	2,807,023	4,727,023	119,020	330,980	450,000
2023 - 2027	2,865,000	2,287,639	5,152,639	-	-	-
2028 - 2032	3,560,000	1,573,540	5,133,540	-	-	-
2033 - 2037	4,515,000	586,625	5,101,625	-	-	-
Total	<u>\$ 14,145,000</u>	<u>\$ 10,263,441</u>	<u>\$ 24,408,441</u>	<u>\$ 419,994</u>	<u>\$ 930,006</u>	<u>\$ 1,350,000</u>

Fiscal Year Ending June 30,	School Building Bonds - Series 1995		
	Principal	Interest	Total
2013	\$ 640,000	\$ 172,278	\$ 812,278
2014	685,000	126,896	811,896
2015	725,000	78,603	803,603
2016	785,000	26,886	811,886
Total	<u>\$ 2,835,000</u>	<u>\$ 404,663</u>	<u>\$ 3,239,663</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$24,803,550 (including available funds of \$1,036,047) and an unvoted debt margin of \$503,861.

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for copier 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. Principal payments in fiscal year 2012 were \$17,643 and were paid from the general fund.

	Governmental <u>Activities</u>
Equipment under capital leases	\$ 281,093
Less: accumulated depreciation	<u>(279,200)</u>
Total June 30, 2012	<u><u>\$ 1,893</u></u>

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, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	<u>\$ 766</u>
Total minimum lease payments	<u>766</u>
Less: amount representing interest	<u>(8)</u>
Total	<u><u>\$ 758</u></u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 16 - DONOR RESTRICTED ENDOWMENTS**

The 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 District is \$23,931 and is included as held in trust for scholarships. State law permits the 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 17 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (155,108)
Net adjustment for revenue accruals	267,648
Net adjustment for expenditure accruals	101,106
Net adjustment for other sources/uses	(131,848)
Funds budgeted elsewhere	66,944
Adjustment for encumbrances	331,729
GAAP basis	\$ 480,471

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund, library/BV east opera fund, student age child care fund, recycling fund and portions of the special trust fund.

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	407,387
Current year offsets	(782,726)
Total	\$ (375,339)
Balance carried forward to fiscal year 2013	\$ -
Set-aside balance June 30, 2012	\$ -



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 18 - SET-ASIDES - (Continued)**

During fiscal year 2009, the District issued \$15,999,994 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$15,999,994 at June 30, 2012.

**NOTE 19 - CONTINGENCIES**

**A. Grants and ADM**

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

The District is currently involved as a defendant in various litigation matters. It is the opinion of management that the potential claims against the District that would not be covered by insurance will not materially affect the District's financial statements.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As a result of construction occurring at the District during fiscal year 2012, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
2K General Company, Inc.	\$ 4,520,180	\$ (4,089,992)	\$ 430,188
Aggressive Mechanical, Inc.	484,471	(395,111)	89,360
Continental Office Environment	326,661	(260,826)	65,835
Converse Electric, Inc.	2,535,527	(2,178,237)	357,290
Farnham Equipment Co.	12,511	(1,450)	11,061
Tom Sexton & Associates	38,045	(23,153)	14,892
TP Mechanical Contractors	231,312	(209,972)	21,340
Vaughn Industries	2,711,902	(2,537,914)	173,988
Wasserstrom Co.	198,989	(179,768)	19,221
Total	<u>\$ 11,059,598</u>	<u>\$ (9,876,423)</u>	<u>\$ 1,183,175</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 21 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 331,936
Building	1,194,523
Nonmajor governmental funds	<u>298,384</u>
 Total	 <u>\$ 1,824,843</u>

BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution) National School Lunch Program	10.555	\$ 41,589	\$ 41,589
Cash Assistance School Breakfast Program	10.553	47,323	47,323
National School Lunch Program	10.555	243,131	243,131
Special Milk Program for Children	10.556	2,719	2,719
Total Nutrition Cluster		<u>334,762</u>	<u>334,762</u>
Total United States Department of Agriculture		<u>334,762</u>	<u>334,762</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	346,830	341,120
Special Education Cluster:			
Special Education Grants to States	84.027	526,345	479,406
ARRA - Special Education Grants to States	84.391	<u>18,699</u>	<u>16,668</u>
Total Special Education Cluster		<u>545,044</u>	<u>496,074</u>
Education Technology State Grants	84.318	2,390	2,390
Improving Teacher Quality State Grants	84.367	90,959	89,917
ARRA- Race to the Top	84.395	46,018	52,903
Education Jobs Fund	84.410	<u>240,643</u>	<u>240,570</u>
Total United States Department of Education		<u>1,271,884</u>	<u>1,222,974</u>
<b>Total Federal Awards</b>		<u><b>\$ 1,606,646</b></u>	<u><b>\$ 1,557,736</b></u>

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Buckeye Valley Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

Buckeye Valley Local School District  
Delaware County  
679 Coover Road  
Delaware, Ohio 43015

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 5, 2013.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Robert R. Hinkle". The signature is written in a cursive style with a large initial 'R'.

**Robert R. Hinkle, CPA, CGFM**  
Chief Deputy Auditor

March 5, 2013



# Dave Yost • Auditor of State

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

Buckeye Valley Local School District  
Delaware County  
679 Coover Road  
Delaware, Ohio 43015

To the Board of Education:

### Compliance

We have audited the compliance of Buckeye Valley Local School District, Delaware County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Buckeye Valley Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Buckeye Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-01.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-01 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Robert R. Hinkle, CPA, CGFM**  
Chief Deputy Auditor

March 5, 2013



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #10.553, #10.555, and #10.556 - Nutrition Cluster CFDA #84.410 – Education Jobs Fund
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**Allowable Costs/Cost Principles**

<b>Finding Number</b>	2012-01
<b>CFDA Title and Number</b>	Nutrition Cluster CFDA # 10.553, #10.555, and #10.556
<b>Federal Award Year</b>	2012
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Material Weakness**

**2 C.F.R. Part 225, Appendix B subsection 8.h.(3)** states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

**2 C.F.R. Part 225, Appendix B subsection 8.h.(4)** states where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8(h)(5).

**2 C.F.R. Part 225, Appendix B subsection 8.h.(5)** states personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity, for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes

The District commingles cash receipts from the U.S. Department of Agriculture's Child Nutrition Cluster grant with other receipts in the District's Food Service Fund. As the Child Nutrition Cluster is a reimbursable federal grant all expenditures from the Food Service fund are considered federal expenditures for the purpose of the Child Nutrition Custer.

We noted semiannual certifications were not completed for employees with 100 percent of their salaries charged to the Food Service Fund. However, the District did maintain salary notices/contracts that documented the employees' pay rate and job title which were used to determine the allowability of these expenditures.

Additionally, we noted that 25 percent of the Director of Classified Services salary was charged to the Food Service Fund, but no time and effort documentation was completed. The District determined this percentage based on the Director's duties and responsibilities.

BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**Allowable Costs/Cost Principles (Continued)**

**Noncompliance/Material Weakness**

While time and effort documentation was not maintained, the duties and responsibilities outlined for the Director of Classified Services provided sufficient support for the portion of his compensation charged to the program and would be considered an allowable expenditure to charge to the Food Service Fund.

Failure to maintain proper semiannual certifications and time and effort documentation could result in questioned costs for employee compensation charged to federal grants.

We recommend that semiannual certifications be maintained for employees whose compensation is allocated to a single cost objective, or entirely to one federal grant to demonstrate that they have been engaged solely in activities supportive of the cost objective. These certifications should be prepared semi-annually and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. We also recommend the District management ensure that adequate time and effort documentation is maintained for employees working on multiple activities whose pay is charged in part to one or more grants.

**Official's Response/Corrective Action Plan:**

All food service personnel are paid from the 006 fund. These employees will fill out semiannual certifications since their compensation is allocated to a single fund. Likewise, employees who are paid from Title I, a Federal Grant, will fill out semiannual certifications.

After some discussion, it has been determined by the administration that for the Director of Classified Services, whose compensation is paid 25% from the food service fund (006), it would be extremely difficult and cumbersome to maintain time and effort logs of each day. As this position serves multiple roles the school district has decided to change the fund that the Director of Classified Services back to all general fund beginning April 1, 2013. A detailed job description has been provided to account for the time before April 1, 2013 that his pay was 25% from the 006 fund.

Anticipated Completion Date: April 1, 2013

Responsible Contact Person: Treasurer

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# Dave Yost • 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  
MARCH 26, 2013