



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Buckeye Valley Local School District
Delaware County

Termination of Fiscal Watch

Local Government Services Division

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Buckeye Valley Local School District

Termination of Fiscal Watch

Table of Contents

Termination of Fiscal Watch 1

Analysis for Termination of Fiscal Watch

 Declaration of Fiscal Watch 2

 Guidelines for Removal from Fiscal Watch 2

 Procedures for Termination of Fiscal Watch 3

 Conclusion 5

 Disclaimer 5

Appendix A 7

 Financial Forecast

 Independent Accountant’s Report 9

 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances for Fiscal Years Ended June 30, 1999,
 2000, and 2001 Actual; Fiscal Years Ending June 30, 2002
 through 2006 Forecasted 10

 Summary of Significant Forecast Assumptions and Accounting Policies 14

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Termination of Fiscal Watch

Pursuant to a request to the Auditor of State by the Buckeye Valley Local School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Buckeye Valley Local School District has met the conditions set forth in the Ohio Department of Education's "Guidelines for Release from Fiscal Watch". The Buckeye Valley Local School District's status of Fiscal Watch is hereby terminated as of June 27, 2002.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Dale Ogg, President of the Board of Education of Buckeye Valley Local School District; Carol Lathrop, Superintendent of Buckeye Valley Local School District; Elizabeth Brown, Treasurer of Buckeye Valley Local School District; Bob Taft, Governor of the State of Ohio; Thomas W. Johnson, Director of Budget and Management; and, Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 27, 2002

Buckeye Valley Local School District

Analysis for Termination of Fiscal Watch

Declaration of Fiscal Watch

The Auditor of State, in accordance with Section 3316.03 of the Ohio Revised Code, is required to declare a school district to be in a state of fiscal watch if it is determined that the school district has met all of the conditions described in Section 3316.03(A) of the Ohio Revised Code. The conditions at the time the School District was declared in fiscal watch were as follows:

1. An operating deficit has been certified by the Auditor of State that exceeds eight percent of the school district's General Fund revenues for the preceding fiscal year;
2. The unencumbered cash balance of the General Fund, reduced by any advance of property taxes, was less than eight percent of the school district's General Fund expenditures for the preceding fiscal year; and
3. A levy has not been passed by the voters that will raise enough additional revenue in the succeeding fiscal year that will result in the first two conditions not being met in the succeeding fiscal year.

The Auditor of State performed an analysis of the Buckeye Valley Local School District (the School District), dated January 14, 1998, to determine whether the School District met the conditions for fiscal watch and certified an operating deficit for the General Fund, in an amount of \$1,195,000. This deficit exceeded eight percent of the General Fund revenues for the prior fiscal year and the unencumbered cash balance of \$119,000 for the preceding fiscal year was less than eight percent of the preceding fiscal year expenditures. Additionally, the School District had not passed a levy as of January 14, 1998, that would eliminate the first two conditions. As a result of the analysis, the Auditor of State declared the Buckeye Valley Local School District to be in fiscal watch on January 26, 1998.

Guidelines for Removal from Fiscal Watch

The procedures for removing a school district from fiscal watch are set forth in the "Guidelines for Release from Fiscal Watch", developed by the Ohio Department of Education on October 1, 2000. These guidelines permit a school district to submit a request for release from fiscal watch in the fiscal year following the fiscal year in which the Auditor of State designated the school district in fiscal watch. A school district may not request release from fiscal watch in the same fiscal year in which the Auditor of State made the designation. Additionally, a school district may not request release from fiscal watch until the State Superintendent of Public Instruction has approved the financial recovery plan of the school district.

The steps for a school district seeking release from fiscal watch are as follows:

1. The school district must request release from fiscal watch by submitting a letter and board resolution requesting release to the Auditor of State and the State Superintendent of Public Instruction.
2. The school district must prepare a financial forecast which demonstrates the elimination of the fiscal watch condition and the Auditor of State will conduct an examination of the financial forecast to insure the school district no longer meets the criteria for fiscal watch. The Department of Education will conduct a separate financial analysis and an in-depth review of the current financial plan to insure the school district will avoid future fiscal watch criteria.

Buckeye Valley Local School District

Analysis for Termination of Fiscal Watch

Guidelines for Removal from Fiscal Watch (continued)

3. In concurring on the release, the Auditor of State and the State Superintendent of Public Instruction will have satisfied themselves of the following:
 - a. Policies for sound accounting, purchasing, and reporting are adopted and are in the process of being implemented (a review of the most recent audit of the school district's GAAP financial statements must reflect an unqualified opinion and no material citations relating to accounting policies and procedures that could negatively impact the financial recovery or condition of the school district);
 - b. The school district no longer meets the criteria for fiscal watch; and
 - c. Objectives of the financial recovery plan are being met or are in the process of being met and it appears the school district will remain out of fiscal watch for the next five years as demonstrated in the financial forecast prepared by the school district.
4. The Ohio Department of Education will provide a letter and documentation supporting their recommendation to the Auditor of State.
5. The Auditor of State will issue a notice of termination of fiscal watch if the Auditor of State and the Department of Education concur that the above conditions have been satisfied.

Procedures for Termination of Fiscal Watch

The Buckeye Valley Local School District Board of Education passed a resolution on May 9, 2002, requesting termination from fiscal watch. This resolution, along with the letter from the School District, was received by the Auditor of State on May 13, 2002.

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2002 through 2006, to determine whether the fiscal watch condition has been eliminated. The financial forecast and our report thereon are included in Appendix A of this report. The financial forecast reflects a positive unencumbered/unreserved General Fund balance through 2005 and a deficit unencumbered/unreserved fund balance in 2006. Events may occur that change this forecast that could eliminate the deficit. The Board of Education may take steps to eliminate the projected deficit by attempting to secure additional revenues and make cutbacks as needed.

As part of the analysis for termination of fiscal watch, we reviewed the School District's most recent audit report and the related compliance and management letters. The School District received an unqualified opinion on its general purpose financial statements for the fiscal year ended June 30, 2001.

Buckeye Valley Local School District

Analysis for Termination of Fiscal Watch

Procedures for Termination of Fiscal Watch (continued)

The related compliance and management letters disclosed the following:

1. The "Report on Compliance and Internal Control Required by Governmental Auditing Standards" disclosed instances of noncompliance that are required to be reported under Governmental Auditing Standards. Several funds had appropriations which exceeded the total certified resources and there was a finding for recovery of public property converted or misappropriated, in the amount of \$374.80, to the Title VI-B fund which was recovered on January 15, 2002. A reportable condition was noted regarding accurately posting estimated resources approved by the County Budget Commission to the accounting ledgers and system in a timely manner. This condition was not considered a material internal control weakness over financial reporting. The Treasurer is monitoring the budget and has demonstrated improved compliance with budgetary requirements over the past two fiscal years.
2. The "Report on Compliance with Requirement Applicable to Each Major Federal Program, Internal Control over Compliance in Accordance with OMB Circular A-133" disclosed no material noncompliance issues.
3. The Management Letter contained recommendations for advancing funds as needed to maintain positive fund balances, submitting the Certificate of the Total Amount from All Sources Available for Expenditures, and Balances on or about the first day of the fiscal year, that all amounts be certified by the Treasurer as lawfully appropriated and in the treasury or in the process of collection to the credit of an appropriate fund free from any encumbrance prior to the contract or order of expenditure, the Athletic Director to review and approve each gate receipt report, agreeing to the amounts collected with tickets sold and consider maintaining a ticket log, distributing to key school district personnel a copy of the disaster recovery plan, and establishing an audit committee.

The criteria for fiscal watch includes an operating deficit in the General Fund that exceeds eight percent of the General Fund revenue for the preceding fiscal year and a levy has not been passed to raise enough additional revenue to eliminate the deficit, or an operating deficit in the General Fund is between two and eight percent of the General Fund revenue for the preceding fiscal year, a levy has not been passed to raise enough additional revenue to eliminate the deficit, and the Auditor of State has determined there is no reasonable cause for the deficit.

The School District does not have a deficit in the General Fund as of June 30, 2001, and has forecasted a positive unencumbered/unreserved fund balance through fiscal year 2005. While a deficit is anticipated for 2006, the deficit does not meet the fiscal watch criteria, and events may occur that change this forecast and eliminate the deficit.

We reviewed the School District's Financial Recovery Plan, dated June 25, 1998, and the amendment approved by the Department of Education on February 15, 2000.

The primary strategy of the plan was to increase operating revenues, decrease operating expenditures, or a combination of the two. Actions taken to achieve these strategies included the following:

1. Reductions in materials and supplies, capital outlay, principal retirement, and other expenditures; and,
2. The establishment of extracurricular activities charges.

Buckeye Valley Local School District

Analysis for Termination of Fiscal Watch

Procedures for Termination of Fiscal Watch (continued)

On April 22, 2002, the Ohio Department of Education approved certified staff base increases of 3.5 percent for fiscal year 2003, 3.25 percent for fiscal year 2004, and 3.75 percent for fiscal year 2005.

Conclusion

Based on our analysis, the Auditor of State has determined the following:

1. The School District has prepared a financial forecast which demonstrates the elimination of the fiscal watch condition and, based on the examination of the financial forecast, the School District no longer meets the criteria for fiscal watch;
2. The School District has received an unqualified opinion of its financial statements prepared in accordance with generally accepted accounting principles;
3. The School District received material citations relating to accounting policies and procedures in its fiscal year 2001 financial statements but these do not have a negative impact on the recovery or condition of the School District. The School District is monitoring its budgetary controls and has demonstrated improvement from prior fiscal years;
4. No matters have come to our attention that would indicate the School District is not in compliance with the Financial Recovery Plan; and,
5. The Ohio Department of Education has provided a letter dated June 21, 2002, supporting their recommendation for termination of fiscal watch to the Auditor of State.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of Buckeye Valley Local School District, the Director of Budget and Management, the State Superintendent of Public Instruction, and the Auditor of the State of Ohio, and others as designated by the Auditor of State, and is not to be used for any other purpose.

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any specific accounts or fund balances identified above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**Buckeye Valley Local School District
Delaware County**

**Financial Forecast
For the Fiscal Years Ending
June 30, 2002 through June 30, 2006**

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Board of Education
Buckeye Valley Local School District
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Independent Accountant's Report

We have examined the accompanying forecasted schedule of revenues, expenditures, and changes in fund balance of the General Fund of Buckeye Valley Local School District for the fiscal years ending June 30, 2002 through 2006. The Buckeye Valley Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for managements forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The financial statements for the fiscal years ended June 30, 1999, 2000, and 2001 were audited by the Auditor of State's Office and we rendered an unqualified opinion on those financial statements in reports dated February 25, 2000, January 31, 2001, and January 15, 2002, respectively. We have not performed any auditing procedures since.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 10, 2002

Buckeye Valley Local School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Years Ended June 30, 1999, 2000, and 2001 Actual;
Fiscal Years Ending June 30, 2002 through June 30, 2006 Forecasted
General Fund

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual
<u>Revenues</u>			
General Property Tax	\$3,808,000	\$4,391,000	\$4,927,000
Tangible Personal Property Tax	184,000	213,000	329,000
Income Tax	2,202,000	2,490,000	2,729,000
Unrestricted Grants-in-Aid	4,964,000	4,893,000	4,845,000
Restricted Grants-in-Aid	109,000	74,000	85,000
Property Tax Allocation	469,000	536,000	607,000
All Other Revenues	613,000	429,000	467,000
Total Revenues	<u>12,349,000</u>	<u>13,026,000</u>	<u>13,989,000</u>
<u>Other Financing Sources</u>			
Operating Transfers In	0	0	9,000
Other Financing Sources	12,000	10,000	45,000
Total Other Financing Sources	<u>12,000</u>	<u>10,000</u>	<u>54,000</u>
Total Revenues and Other Financing Sources	<u>12,361,000</u>	<u>13,036,000</u>	<u>14,043,000</u>
<u>Expenditures</u>			
Personal Services	7,205,000	7,478,000	7,871,000
Employees' Retirement/Insurance Benefits	2,312,000	2,246,000	2,257,000
Purchased Services	848,000	929,000	1,428,000
Supplies and Materials	297,000	427,000	810,000
Capital Outlay	51,000	63,000	563,000
Debt Service:			
Principal	569,000	626,000	0
Interest and Fiscal Charges	77,000	20,000	0
Other Objects	575,000	554,000	845,000
Total Expenditures	<u>11,934,000</u>	<u>12,343,000</u>	<u>13,774,000</u>
<u>Other Financing Uses</u>			
Operating Transfers Out	0	47,000	31,000
Other Financing Uses	69,000	0	0
Total Other Financing Uses	<u>69,000</u>	<u>47,000</u>	<u>31,000</u>
Total Expenditures and Other Financing Uses	<u>12,003,000</u>	<u>12,390,000</u>	<u>13,805,000</u>

Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted	Fiscal Year 2006 Forecasted
\$5,007,000	\$5,170,000	\$5,429,000	\$5,700,000	\$6,099,000
350,000	352,000	354,000	356,000	357,000
2,687,000	2,951,000	3,188,000	3,443,000	3,718,000
5,367,000	5,472,000	5,645,000	5,803,000	5,950,000
102,000	55,000	70,000	70,000	70,000
639,000	620,000	639,000	661,000	701,000
431,000	428,000	441,000	454,000	468,000
<u>14,583,000</u>	<u>15,048,000</u>	<u>15,766,000</u>	<u>16,487,000</u>	<u>17,363,000</u>
0	0	0	0	0
1,000	0	0	0	0
<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>14,584,000</u>	<u>15,048,000</u>	<u>15,766,000</u>	<u>16,487,000</u>	<u>17,363,000</u>
8,678,000	9,025,000	9,431,000	9,903,000	10,398,000
2,633,000	2,798,000	2,924,000	3,169,000	3,535,000
1,491,000	1,499,000	1,506,000	1,514,000	1,517,000
885,000	890,000	900,000	910,000	920,000
226,000	230,000	240,000	250,000	260,000
0	0	0	0	0
0	0	0	0	0
937,000	948,000	990,000	1,040,000	1,092,000
<u>14,850,000</u>	<u>15,390,000</u>	<u>15,991,000</u>	<u>16,786,000</u>	<u>17,722,000</u>
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>14,850,000</u>	<u>15,390,000</u>	<u>15,991,000</u>	<u>16,786,000</u>	<u>17,722,000</u>

(continued)

Buckeye Valley Local School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Years Ended June 30, 1999, 2000, and 2001 Actual;
Fiscal Years Ending June 30, 2002 through June 30, 2006 Forecasted
General Fund
(continued)

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$358,000	\$646,000	\$238,000
Cash Balance July 1	430,000	788,000	1,434,000
Cash Balance June 30	788,000	1,434,000	1,672,000
Estimated Encumbrances June 30	124,000	278,000	282,000
Unencumbered Fund Balance	664,000	1,156,000	1,390,000
<u>Reservations of Fund Balance</u>			
Textbooks and Instructional Materials	60,000	211,000	46,000
Budget Reserve	162,000	69,000	0
Bus Purchase	70,000	37,000	0
Total Reservations of Fund Balance	292,000	317,000	46,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	\$372,000	\$839,000	\$1,344,000

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

<u>Fiscal Year 2002 Forecasted</u>	<u>Fiscal Year 2003 Forecasted</u>	<u>Fiscal Year 2004 Forecasted</u>	<u>Fiscal Year 2005 Forecasted</u>	<u>Fiscal Year 2006 Forecasted</u>
(\$266,000)	(\$342,000)	(\$225,000)	(\$299,000)	(\$359,000)
<u>1,672,000</u>	<u>1,406,000</u>	<u>1,064,000</u>	<u>839,000</u>	<u>540,000</u>
1,406,000	1,064,000	839,000	540,000	181,000
<u>278,000</u>	<u>278,000</u>	<u>278,000</u>	<u>278,000</u>	<u>278,000</u>
<u>1,128,000</u>	<u>786,000</u>	<u>561,000</u>	<u>262,000</u>	<u>(97,000)</u>
0	0	0	0	0
0	0	0	0	0
<u>6,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>6,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$1,122,000</u>	<u>\$786,000</u>	<u>\$561,000</u>	<u>\$262,000</u>	<u>(\$97,000)</u>

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 1 - Nature and Limitations of the Forecast

The financial forecast presents, to the best of the Buckeye Valley Local School District Board of Education's knowledge and belief, the expected revenues, expenditures, and operating balance of the General Fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of June 10, 2002, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the General Fund. Under State law, certain General Fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires General Fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the General Fund has been adjusted to include the financial activity and balances of the textbook subsidy fund and exclude the activity of other governmental funds combined with the General Fund for reporting purposes. The inclusion of this activity has generated differences with the audited financial statements for the fiscal years ended June 30, 1999, 2000, and 2001. These differences are as follows:

	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2001</u>
<u>Revenues and Other Financing Sources</u>			
General Fund as Previously Reported	\$12,332,000	\$13,038,000	\$14,044,000
Textbook Subsidy Fund	31,000	0	0
Funds Combined with the General Fund for Reporting Purposes	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,000)</u>
Total Revenues and Other Financing Sources	<u>12,361,000</u>	<u>13,036,000</u>	<u>14,043,000</u>
<u>Expenditures and Other Financing Uses</u>			
General Fund as Previously Reported	12,111,000	12,639,000	14,087,000
Textbook Subsidy Fund	1,000	28,000	1,000
Funds Combined with the General Fund for Reporting Purposes	(2,000)	(2,000)	(1,000)
Encumbrances at Fiscal Year End	<u>(107,000)</u>	<u>(275,000)</u>	<u>(282,000)</u>
Total Expenditures and Other Financing Uses	<u>12,003,000</u>	<u>12,390,000</u>	<u>13,805,000</u>

(continued)

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 2 - Nature of the Presentation (continued)

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$358,000	\$646,000	\$238,000
Cash Fund Balance at Beginning of Fiscal Year	430,000	788,000	1,434,000
Cash Fund Balance at End of Fiscal Year	788,000	1,434,000	1,672,000
Encumbrances at Fiscal Year End	(124,000)	(278,000)	(282,000)
Unencumbered Fund Balance at Fiscal Year End	<u>\$664,000</u>	<u>\$1,156,000</u>	<u>\$1,390,000</u>

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The School District maintains its accounting system in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

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

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

Buckeye Valley Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 3 - Summary of Significant Accounting Policies (continued)

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

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

Proprietary Funds

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

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, non-expendable trust funds, and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level in the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Delaware County Auditor, as secretary of the County Budget Commission, by January 20 of each year for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Buckeye Valley Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 3 - Summary of Significant Accounting Policies (continued)

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Buckeye Valley Local School District will continue to operate its instructional programs in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes consist of amounts levied against all real property, public utility real and personal property, and tangible personal property within the School District. The County Treasurer collects property taxes for all taxing districts in the county. The County Auditor periodically remits to the School District its portion of the taxes collected. Advances may be requested from the County Auditor as the taxes are collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real property taxes and exemptions from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection. The School District has no new and/or expiring levies for fiscal years 2002 through 2006.

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 5 - Significant Assumptions for Revenues and Other Financing Sources (continued)

The property tax revenues for the School District's General Fund are generated from several levies. The type of levy, the year approved, the last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (Mills)
Inside Millage	n/a	n/a	\$3.00
Continuing Operating	1968	n/a	2.60
Continuing Operating	1969	n/a	11.40
Continuing Operating	1981	n/a	12.00
Total Tax Rate			\$29.00

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The School District anticipates increases ranging from 1.6 percent to 7 percent in fiscal years 2002 through 2006. This is due to the expected growth of the School District's tax base, as well as the six year reappraisal scheduled for collection year 2006.

Tangible Personal Property Tax - Tangible personal property tax revenue is generated from property used in business (except for public utilities). The School District anticipates an increase of \$28,000 over the forecasted period. This small increase is primarily due to the anticipated restructuring of the public utility tax. The forecasted increase is based on historical and expected growth of the School District's largest individual taxpayers.

The School District has assumed that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed, and the Governor approved, legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

B. Income Tax

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. History supports income tax revenue increases ranging from 9.6 percent to 13.8 percent. However, the forecasted amount for fiscal year 2002 reflects a decrease based on actual collections for fiscal year 2002. The School District anticipates an increase of \$989,000 over the forecasted period primarily due to Delaware County being one of the fastest growing counties in Ohio, and the County is experiencing significant population, residential, and business growth.

Buckeye Valley Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 5 - Significant Assumptions for Revenues and Other Financing Sources (continued)

C. Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios, plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

Beginning in fiscal year 2002, State law set the base cost per pupil at \$4,814 and increased it each year thereafter at a rate of 2.8 percent. The base cost per pupil is \$4,949 for fiscal year 2003, \$5,088 for fiscal year 2004, \$5,230 for fiscal year 2005, and \$5,376 for fiscal year 2006.

The anticipated revenue for fiscal year 2002 is based on current estimates provided by the Ohio Department of Education. The School District experienced minor decreases in unrestricted grants-in-aid in previous years, and therefore, has forecasted conservative increases ranging from 2.0 percent to 3.2 percent for fiscal years 2003 through 2006. The increase is caused by not only increases in the base cost per pupil, but also annual increases in the School District's average daily membership and increases in the special education funding. The School District anticipates approximately twenty-five new students per year evenly distributed between grade level and special education classification.

D. Restricted Grants-in-Aid

Restricted grants-in-aid includes parity aid and bus purchase allowance, in the amount of \$40,000 and \$62,000, respectively, for fiscal year 2002. The School District anticipates 20 percent of their full parity aid in fiscal year 2002, which is approximately \$40,000. State law increases the parity aid distribution by 20 percent each year, with full distribution of 100 percent in fiscal year 2006. However, the School District does not anticipate receiving parity aid in future fiscal years due to not meeting eligibility requirements. The decrease for fiscal year 2003 is based on information provided from the Department of Education that the bus purchase allowance will be cut from the budget for fiscal year 2003 and resume in fiscal year 2004. The bus purchase allowance is projected to remain constant for fiscal years 2004 through 2006.

E. Property Tax Allocation

State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of homestead and rollback.

Property tax allocation revenue, based on information provided by the Delaware County Auditor, is anticipated to increase \$94,000 from fiscal year 2002 through 2006.

Buckeye Valley Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 5 - Significant Assumptions for Revenues and Other Financing Sources (continued)

F. All Other Revenues

All other revenues consists of interest, tuition, extracurricular activities, and miscellaneous revenues. The School District anticipates an initial decrease for fiscal year 2002 and an increase of \$37,000 over the forecasted period. During fiscal year 2001, the School District received \$68,000 in compensation for loss of assets. The School District does not anticipate significant compensation for loss of assets in the forecast period.

Interest revenue increased in prior years because the School District had more cash available to invest. However, during fiscal year 2002, interest revenue decreased significantly due to a declining economy. The School District expects interest rates will raise again. Forecasted interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings, with the balance recorded to the General Fund.

The School District receives tuition revenue for educational services provided to students residing in other school district jurisdictions. History illustrates a decline in tuition revenue from other school districts. Tuition revenue for fiscal year 2000 decreased by \$227,000 from the prior fiscal year and fiscal year 2001 received \$52,000 less than fiscal year 2000. The School District anticipates this revenue source to decline consistently through the forecast period as a decrease in services to non-resident students is expected to continue.

During fiscal year 2000, the School District implemented a pay-to-participate charge for extracurricular activities which generated approximately \$80,000. During fiscal year 2001, the School District reduced the pay-to-participate charges and only generated approximately \$25,000. The School District does not intend to reduce pay-to-participate charges any further during the forecast period, and therefore, anticipates extracurricular activities revenue to remain at approximately \$25,000 each fiscal year.

Miscellaneous revenue is an insignificant revenue source and is anticipated to remain steady through the forecast period.

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. Classified staff salaries are also based on a negotiated contract which includes base and step increases.

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses (continued)

The forecasted increase in salaries is as follows.

Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
10.26%	4.00%	4.50%	5.0%	5.0%

The increases can be attributed to several factors.

The first factor is the percent change in the base salary from the negotiated agreements, in effect until 2005, and the percent change forecasted from historical data for fiscal year 2006. The base changes are as follows:

Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
3.50%	3.50%	3.25%	3.75%	3.50%

The second factor is step increases and staffing changes.

The staffing changes are estimated based on the following assumptions:

1. In fiscal year 2002, the staff will increase by ten positions. The staff increase is to help alleviate elementary class sizes, add academic classes required by Senate Bill 55, and to reinstate positions that were eliminated when the School District entered the State Loan Fund.
2. In order to be competitive with other area school districts, newly hired staff will be placed on the pay scale with five years of experience, and if they are certified staff, they will have a bachelors level of education. Any positions rehired due to retirement, which is expected to occur at age sixty or thirty years of experience, will also be treated in this manner.

The aggregate effect of all step increases for all staff members is as follows:

Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
6.76%	0.50%	1.25%	1.25%	1.50%

The increase in fiscal year 2002 is due to the addition of ten positions. The remaining increases for fiscal years 2003 through 2006 are a result of the lower step placement of staff hired to replace retiring staff members.

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses (continued)

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year. In addition, the School District "picks up" the employee's share of retirement for certain administrative staff.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the annual increases in monthly premiums.

Medicare benefits are forecasted based on related anticipated payroll costs for staff over the forecast period. Worker's compensation premiums are based on the School District's current rate and the anticipated salaries for the fiscal year.

Because the amount of benefits paid are based on salaries, benefits are forecasted at the following percent of salaries:

Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
31%	31%	31%	32%	34%

The increase in the percentage for fiscal year 2005 and 2006 is a result of the rising costs of health care. The health care insurance providers have indicated that they expect the premiums to increase approximately 28 percent from fiscal year 2002 to 2003. Historical data shows that there is a steady increase in these premiums of approximately 16 percent since fiscal year 2000. This trend is expected to continue. Medicare is also expected to increase, since certified staff not required to contribute to Medicare are retiring and certified staff being hired in their place will be contributing to Medicare.

C. Purchased Services

Purchased services expenditures include professional and technical services, property services, travel and meeting expenses, communication, utility services, contracted services, tuition, pupil transportation, and other purchased services.

Purchased services are anticipated to increase \$89,000 over the forecasted period which is represented by increases ranging from .2 percent to 4.4 percent. The more significant increases are expected for consulting and legal services fees related to contract negotiations, increases in repair and maintenance services, telephone service, utility services for rising fuel costs, and excess costs charged by the educational service center.

D. Supplies and Materials

Supplies and materials include general supplies, textbooks, library books, newspapers and periodicals, and maintenance and repair supplies.

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses (continued)

Significant increases for supplies and materials occurred during fiscal year 2001 in order to replenish supplies. The state operating loan was retired during fiscal year 2000, making resources available to replace the depleted supplies. The School District forecasted an increase of 9.3 percent for fiscal year 2002 and increases ranging from .56 percent to 1.1 percent for fiscal years 2003 through 2006. The School District intends to purchase supplies and materials as necessary and to comply with annual set-aside requirements. Supplies and materials are forecasted to increase \$110,000 over the forecasted period.

E. Capital Outlay

Property, plant, and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

During fiscal year 2001, the School District upgraded and replaced computer and other technology equipment resulting in a \$500,000 increase in capital outlay. Due to the significant upgrades in 2001, capital outlay expenditures for fiscal year 2002 are expected to decrease 59.9 percent and fiscal years 2003 to 2006 are expected to increase from 1.8 percent to 4.4 percent. The School District intends to replace school buses when bus purchase allowance dollars are received and when the General Fund can afford the purchase. In addition to General Fund capital outlay expenditures, the School District also has a Permanent Improvement capital projects fund that generated approximately \$435,000 in fiscal year 2001.

F. Debt Service

On March 6, 1998, the School District obtained a loan, in the amount of \$1,195,000, to meet its financial obligations as a result of its operating deficit. The loan was in anticipation of state foundation revenues. The loan was fully retired in fiscal year 2000. Principal was paid from the General Fund. The School District does not anticipate any debt service expenditures from the General Fund during the forecast period.

G. Capital Leases

The School District has entered into capitalized leases for equipment in the amount of \$177,498. This amount represents the present value of the minimum lease payments at the time of acquisition. A capital lease is defined as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as purchase services expenditures.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	
2002	\$48,331
2003	48,331
2004	29,811
Subtotal	126,473
Less Amount Representing Interest	(19,046)
Present Value of Minimum Lease Payments	\$107,427

Buckeye Valley Local School District
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 6 - Significant Assumptions for Expenditures and Other Financing Uses (continued)

H. Other Objects

Other objects include dues, fees, liability insurance, and county educational service center costs. The School District is projecting an increase of \$247,000 in other objects for the forecast period. The most significant increase is in the educational service center deductions.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on the budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the General Fund balance.

Historically, encumbrances have been less than \$300,000. For fiscal years 2000 and 2001, encumbrances were approximately \$278,000. The School District anticipates encumbrances to remain constant with no significant fluctuations.

Note 8 - Reservations of Fund Balance and Set Aside Calculations

The School District is required by State statute to annually set aside, in the General Fund, three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year end. These amounts must be carried forward used for the same purposes in the future fiscal years.

Effective July, 2001, Senate Bill 345 provided an alternate formula to calculate the set aside amount for textbooks and other instructional materials and for the acquisition and construction of capital improvements. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the School District's student population for that fiscal year. A school district may, at its option, continue to use the original formula to calculate the set aside requirement each fiscal year. For presentation in this forecast, management has calculated the set aside requirements based on the original formula.

A. Textbooks and Instructional Materials

The School District is required to set aside three percent of certain revenues annually for the purchase of textbooks and other instructional materials. The set aside amount for fiscal year 2001 was \$319,000. The School District carried forward a balance from the prior fiscal year of \$211,000 and spent \$484,000, leaving a balance of \$46,000 to carry forward to fiscal year 2002. Fiscal year 2001 was the first year additional money was available to spend on textbooks and instructional materials because the state operating loan had been retired. Therefore, the School District was able to reduce the carry forward balance from \$211,000 to \$46,000. The School District does not anticipate a reserve in future years.

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 8 - Reservations of Fund Balance and Set Aside Calculations (continued)

B. Acquisition and Construction of Capital Improvements

The School District is required to set aside three percent of certain revenues annually for the acquisition and construction of capital improvements. Historically, the School District has not carried a balance forward to the subsequent fiscal years for capital acquisitions and improvements. The required set aside amount is spent during the fiscal year. The School District does not anticipate a reserve in future years.

C. Budget Reserve

Senate Bill 345, effective April 10, 2001, eliminated the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board of Education, be returned to the School District's General Fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in Senate Bill 345, including the offset of a budget deficit.

The School District transferred the remaining \$69,000 of their budget reserve to the General Fund and spent the dollars in accordance with Senate Bill 345 guidelines.

D. Bus Purchase

The School District did not have a bus purchase allowance balance at the end of fiscal year 2001. The School District received \$62,000 in bus purchase allowance during fiscal year 2002 which was encumbered, except for \$6,000. The School District intends to spend the entire amount received for bus purchases each year for fiscal years 2004 to 2006.

Note 9 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are follows:

Date	Type	Levy Rate Amount	Term	Election Results
February 4, 1992	Bond Issue	8.61 Mills	26 Years	Failed
June 2, 1992	Income Tax	n/a	Continuing	Passed
May 4, 1993	Bond Issue	7.68 Mills	27 Years	Failed
November 2, 1993	Bond Issue	7.68 Mills	27 Years	Failed
November 8, 1994	Bond Issue	5.58 Mills	25 Years	Failed
May 2, 1995	Bond Issue	6.11 Mills	25 Years	Passed

(continued)

Buckeye Valley Local School District
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Years Ending June 30, 2002 through 2006

Note 9 - Levies (continued)

Date	Type	Levy Rate Amount	Term	Election Results
May 5, 1998	Operating	6.7 Mills	3 Years	Failed
November 3, 1998	Operating	6.7 Mills	3 Years	Failed
February 2, 1999	Operating	6.5 Mills	3 Years	Failed

Note 10 - Pending Litigation

There are currently no matters in litigation with the School District as defendant.

Note 11 - State School Funding Decision

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

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

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

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of June 10, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of this forecast, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.



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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
JUNE 27, 2002**