



**Auditor of State
Betty Montgomery**

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S 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 Buckeye Valley Local School District, Delaware County, Ohio (the District), as of and for the year ended June 30, 2004, 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, the aggregated remaining fund information of the Buckeye Valley Local School District, Delaware County, Ohio, as of June 30, 2004, 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 May 19, 2005, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

May 19, 2005

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of Buckeye Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2004 were as follows:

In total, net assets decreased \$79,920, or 1 percent, a very insignificant change. Compared to the previous fiscal year, this is a great improvement as net assets decreased almost 6 percent in fiscal year 2003.

General revenues were \$16,714,983 for fiscal year 2004, or 86 percent of total revenues, and reflect the School District's significant dependence on taxes and unrestricted state entitlements.

The School District's five-year forecast indicates the School District will have a deficit balance in fiscal year 2008. While a positive cash balance is projected at the end of each fiscal year until 2008, expenses are estimated to be higher than revenues for fiscal years 2006 and 2007. The School District is working now on a plan to balance the budget for future fiscal years. A strategic planning committee has been formed including administration, staff, board members, and community members. A finance committee has also been created to help educate the people within the School District in school finance, and specifically the finances of the Buckeye Valley Local School District.

Using the Basic Financial Statements

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

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

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

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

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

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

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2004 compared to fiscal year 2003:

Table 1
Net Assets

	Governmental Activities	
	2004	2003
<u>Assets:</u>		
Current and Other Assets	\$11,935,489	\$11,116,074
Capital Assets, Net	18,477,859	18,863,489
Total Assets	30,413,348	29,979,563
<u>Liabilities:</u>		
Current and Other Liabilities	9,600,552	8,523,184
Long-Term Liabilities	13,153,237	13,716,900
Total Liabilities	22,753,789	22,240,084
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	6,619,599	6,459,053
Restricted	936,380	765,700
Unrestricted	103,580	514,726
Total Net Assets	\$7,659,559	\$7,739,479

With a change in net assets of only 1 percent, one would not expect to see a great deal of fluctuation within the statement of net assets; however, there were several areas deserving of further explanation. The balance of cash and cash equivalents was up 18 percent. Most of this increase was due to levy monies collected for permanent improvements and these resources were not spent (this increase is also demonstrated in the increase in restricted net assets).

Current and other liabilities increased somewhat. Accounts payable increased 39 percent from the prior fiscal year and is the result of large supply orders placed close to fiscal year end but paid for in fiscal year 2005. Deferred revenues also increased 15 percent, which amounted to \$945,000. A combination of increases in both income and property taxes receivable (amounts intended to finance fiscal year 2005) are reflected as deferred revenue, therefore the increase. While individually, the increase in each of the taxes is not that significant, the combined effect on deferred revenue was a fair amount.

Finally, the area of greatest change was the decrease in unrestricted net assets. An increase in cash and cash equivalents for permanent improvements overcompensated for decreases in cash and cash equivalents in other areas which were unrestricted, for instance the General Fund. These decreases in unrestricted cash resources resulted in the decrease in unrestricted net assets.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 reflects the changes in net assets for fiscal years 2004 and 2003.

Table 2
Change in Net Assets

	Governmental Activities	
	2004	2003
<u>Revenues:</u>		
Program Revenues		
Charges for Services	\$1,411,073	\$1,081,776
Operating Grants, Contributions, and Interest	1,201,672	1,126,142
Capital Grants, Contributions, and Interest	91,514	152,598
Total Program Revenues	<u>2,704,259</u>	<u>2,360,516</u>
General Revenues		
Property Taxes	7,627,036	7,524,388
Income Taxes	3,010,878	2,725,239
Grants and Entitlements	5,903,587	5,738,288
Interest	17,487	42,113
Gifts and Donations	885	0
Miscellaneous	155,110	94,089
Total General Revenues	<u>16,714,983</u>	<u>16,124,117</u>
Total Revenues	<u>19,419,242</u>	<u>18,484,633</u>
<u>Expenses:</u>		
Instruction:		
Regular	8,546,907	7,942,379
Special	1,503,774	1,562,164
Vocational	437,460	405,281
Support Services:		
Pupils	1,631,765	1,342,333
Instructional Staff	487,330	521,600
Board of Education	234,539	283,273
Administration	1,557,602	1,663,812
Fiscal	473,366	405,892
Operation and Maintenance of Plant	1,619,548	1,833,113
Pupil Transportation	1,181,778	1,090,976
Central	775	775
Non-Instructional Services	703,425	734,188
Extracurricular Activities	383,078	412,909
Interest and Fiscal Charges	737,815	762,895
Total Expenses	<u>19,499,162</u>	<u>18,961,590</u>
Decrease in Net Assets	<u>(\$79,920)</u>	<u>(\$476,957)</u>

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Program revenues make up 14 percent of total revenues and are primarily represented by restricted intergovernmental revenues, tuition and fees, charges for extracurricular activities, and food service sales. General revenues, which are 86 percent of total revenues, are almost entirely taxes and unrestricted State entitlements (State foundation resources). A comparison of both program revenues and general revenues reveals very little change from the prior fiscal year.

The major program expense for governmental activities, as expected, is for instruction, which is 54 percent of total governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation are 17 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, approximately 8 percent. Therefore, over 79 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. Again, a comparison of program expenses to the prior fiscal year demonstrates very little change.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Instruction:				
Regular	\$8,546,907	\$7,942,379	\$7,785,149	\$7,465,943
Special	1,503,774	1,562,164	686,302	1,089,983
Vocational	437,460	405,281	370,845	318,413
Support Services:				
Pupils	1,631,765	1,342,333	1,607,330	1,096,457
Instructional Staff	487,330	521,600	487,330	521,600
Board of Education	234,539	283,273	234,539	283,273
Administration	1,557,602	1,663,812	1,557,602	1,663,812
Fiscal	473,366	405,892	473,366	405,892
Operation and Maintenance of Plant	1,619,548	1,833,113	1,604,386	1,812,381
Pupil Transportation	1,181,778	1,090,976	1,096,151	1,009,658
Central	775	775	775	775
Non-Instructional Services	703,425	734,188	(124,013)	(101,241)
Extracurricular Activities	383,078	412,909	277,326	271,233
Interest and Fiscal Charges	737,815	762,895	737,815	762,895
Total Expenses	<u>\$19,499,162</u>	<u>\$18,961,590</u>	<u>\$16,794,903</u>	<u>\$16,601,074</u>

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Since the School District receives very little in the way of program revenues (just 14 percent) the School District is exceedingly dependent on its general revenue resources of property taxes, income taxes and unrestricted state entitlements (State foundation). A review of the above table demonstrates two things. First, a great deal of comparability to the prior fiscal year and second, few programs are supported in any significant way through program revenues.

One of the programs which did receive substantial program revenues in fiscal year 2004 was for special instruction (54 percent support from program revenues). This is made up entirely of operating grants restricted for various special instruction programs. Another program receiving significant program revenues was non-instructional services. In fact, program revenues exceeded the costs of providing these services again in fiscal year 2004. This is generally made up of cafeteria sales and state and federal subsidies and donated commodities for food service operations. Also included in the program revenues related to non-instructional services are the resources from the School Age Child Care (after-school) program. Lastly, almost 28 percent of extracurricular activities expenses are covered by program revenues. This is primarily music and athletic fees, ticket sales, and gate receipts.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's two major funds are the General Fund and the Bond Retirement debt service fund. For the General Fund, the fund balance decreased over 31 percent. Again for this fiscal year, expenditures exceeded revenues resulting in deficit cash spending. This situation has been occurring since fiscal year 2002. Legal costs in excess of those anticipated, amounts paid to the Educational Service Center for services, and subsidies to other governmental funds all contributed to the deficit spending within the fund. The Bond Retirement debt service fund also had a reduction in fund balance (15 percent). Principal payments and the associated interest and fiscal charges exceeded tax resources collected for their repayment.

General Fund Budgeting Highlights

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

During fiscal year 2004, the School District amended its General Fund budget as needed. A review of the budgetary comparison statement reflects that very little changed for both revenues and expenditures from the original budget to the final budget as well as from the final budget to actual revenues received or expenditures made.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$18,477,859 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$385,630, or 2 percent. The School District's additions for the fiscal year were offset by depreciation expense, therefore, little change. The larger additions for the fiscal year consisted of library improvements, purchase of a high school modular classroom, athletic field improvements, and a school bus. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2004, the School District had outstanding general obligation bonds, in the amount of \$11,470,000, for building improvements. The bonds were issued for a twenty-five year period, with final maturity in fiscal year 2021. The School District had an outstanding loan for the construction of a stadium, in the amount of \$258,785. This loan will be fully retired in fiscal year 2006. The School District also had several outstanding capital leases for equipment, in the amount of \$129,475. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

Superintendent Carol Lathrop retired on July 31, 2004, and John Schiller took over the position on August 1. Three main areas have been the focus of the School District since August, financial responsibility, student achievement, and communication. The strategic plan is being updated at the present time with a committee and a community survey. The Strategic Planning committee is basically made up of the members of the other active committees, the finance committee, the facilities committee, and the curriculum committee.

On October 13, 2004, the School District successfully sold \$4,649,992 of general obligation bonds to refinance the FY 1996 School Building bonds. Like many homeowners, the Buckeye Valley Local School District took advantage of historically low interest rates. But, unlike homeowners whose mortgages are payable in full at any time without penalty, school district bonds are protected from refunding for 10 years after issuance. Accordingly, the FY 1996 School Building bonds are callable or refundable in December 2005. The proceeds from the new bond issue were deposited into an escrow account until December 2005. The FY 1996 bonds, once escrowed, are not considered a debt obligation of the School District. The new bond issue matures in fiscal year 2021.

The FY 2004 bonds were insured by FSA Bond Insurance Company and carry a Standard & Poors AAA rating based upon bond insurance. The interest rate on the new bonds averages 4.10 percent over the sixteen year life of the bonds. The School District determined that we would not seek an independent rating until such time as we have a new money issue. We currently do not have a rating based on the School District's own credit. This transaction will make the School District stronger financially and was a sound financial decision. It came to market at a particularly attractive time.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Contacting the School District's Financial Management

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

Buckeye Valley Local School District
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,799,380
Accounts Receivable	18,202
Accrued Interest Receivable	3,129
Intergovernmental Receivable	76,118
Income Taxes Receivable	1,336,504
Prepaid Items	16,394
Inventory Held for Resale	5,934
Materials and Supplies Inventory	26,618
Property Taxes Receivable	8,653,210
Nondepreciable Capital Assets	498,673
Depreciable Capital Assets, Net	17,979,186
Total Assets	<u>30,413,348</u>
 <u>Liabilities:</u>	
Accounts Payable	267,384
Accrued Wages and Benefits Payable	1,471,945
Intergovernmental Payable	548,383
Accrued Interest Payable	59,021
Deferred Revenue	7,253,819
Long-Term Liabilities:	
Due Within One Year	671,444
Due in More Than One Year	12,481,793
Total Liabilities	<u>22,753,789</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	6,619,599
Restricted For:	
Debt Service	368,954
Capital Projects	356,146
Other Purposes	211,280
Unrestricted	103,580
Total Net Assets	<u><u>\$7,659,559</u></u>

See Accompanying Notes to Basic Financial Statements

Buckeye Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	
Expenses				
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$8,546,907	\$570,563	\$191,195	\$0
Special	1,503,774	0	817,472	0
Vocational	437,460	34,252	32,363	0
Support Services:				
Pupils	1,631,765	0	24,435	0
Instructional Staff	487,330	0	0	0
Board of Education	234,539	0	0	0
Administration	1,557,602	0	0	0
Fiscal	473,366	0	0	0
Operation and Maintenance of Plant	1,619,548	0	0	15,162
Pupil Transportation	1,181,778	0	9,275	76,352
Central	775	0	0	0
Non-Instructional Services	703,425	705,643	121,795	0
Extracurricular Activities	383,078	100,615	5,137	0
Interest and Fiscal Charges	737,815	0	0	0
Total Governmental Activities	<u>\$19,499,162</u>	<u>\$1,411,073</u>	<u>\$1,201,672</u>	<u>\$91,514</u>

General Revenues:

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

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$7,785,149)
(686,302)
(370,845)

(1,607,330)
(487,330)
(234,539)
(1,557,602)
(473,366)
(1,604,386)
(1,096,151)
(775)

124,013
(277,326)
(737,815)

(16,794,903)

6,261,817
918,966
446,253
3,010,878
5,903,587
17,487
885
155,110

16,714,983

(79,920)

7,739,479
\$7,659,559

Buckeye Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$839,223	\$257,280	\$684,850	\$1,781,353
Accounts Receivable	11,951	0	6,251	18,202
Accrued Interest Receivable	3,129	0	0	3,129
Interfund Receivable	9,000	0	0	9,000
Intergovernmental Receivable	605	79	75,434	76,118
Income Taxes Receivable	1,336,504	0	0	1,336,504
Prepaid Items	15,671	0	723	16,394
Inventory Held for Resale	0	0	5,934	5,934
Materials and Supplies Inventory	26,499	0	119	26,618
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	18,027	0	0	18,027
Property Taxes Receivable	7,110,255	1,030,913	512,042	8,653,210
Total Assets	\$9,370,864	\$1,288,272	\$1,285,353	\$11,944,489
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$84,894	\$0	\$182,490	\$267,384
Accrued Wages and Benefits Payable	1,409,096	0	62,849	1,471,945
Interfund Payable	0	0	9,000	9,000
Intergovernmental Payable	373,612	0	21,772	395,384
Deferred Revenue	6,442,822	900,426	466,659	7,809,907
Total Liabilities	8,310,424	900,426	742,770	9,953,620
<u>Fund Balances:</u>				
Reserved for Property Taxes	886,196	130,452	64,794	1,081,442
Reserved for Bus Purchase	18,027	0	0	18,027
Reserved for Encumbrances	93,570	0	94,226	187,796
<u>Unreserved Reported in:</u>				
General Fund	62,647	0	0	62,647
Special Revenue Funds	0	0	155,677	155,677
Debt Service Fund	0	257,394	0	257,394
Capital Projects Funds	0	0	227,886	227,886
Total Fund Balances	1,060,440	387,846	542,583	1,990,869
Total Liabilities and Fund Balances	\$9,370,864	\$1,288,272	\$1,285,353	\$11,944,489

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balances		\$1,990,869
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		18,477,859
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	18,062	
Accrued Interest Receivable	3,129	
Intergovernmental Receivable	13,569	
Income Taxes Receivable	204,122	
Property Taxes Receivable	317,206	
		556,088
<p>Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.</p>		(152,999)
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(59,021)	
General Obligation Bonds Payable	(11,470,000)	
Stadium Construction Loan Payable	(258,785)	
Compensated Absences Payable	(1,294,977)	
Capital Leases Payable	(129,475)	
		(13,212,258)
Net Assets of Governmental Activities		\$7,659,559

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,204,638	\$913,173	\$441,974	\$7,559,785
Income Taxes	2,972,768	0	0	2,972,768
Intergovernmental	6,140,764	123,637	909,756	7,174,157
Interest	14,164	194	173	14,531
Tuition and Fees	540,329	0	265,603	805,932
Extracurricular Activities	26,541	0	82,256	108,797
Charges for Services	0	0	494,790	494,790
Gifts and Donations	1,185	0	5,130	6,315
Miscellaneous	87,376	0	70,575	157,951
Total Revenues	<u>15,987,765</u>	<u>1,037,004</u>	<u>2,270,257</u>	<u>19,295,026</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,126,909	0	271,774	8,398,683
Special	1,235,286	0	244,512	1,479,798
Vocational	353,282	0	64,113	417,395
Support Services:				
Pupils	1,177,167	0	406,585	1,583,752
Instructional Staff	356,878	0	104,352	461,230
Board of Education	234,539	0	0	234,539
Administration	1,468,346	0	7,886	1,476,232
Fiscal	434,509	17,331	8,282	460,122
Operation and Maintenance of Plant	1,564,725	0	6,059	1,570,784
Pupil Transportation	1,117,941	0	11,207	1,129,148
Central	775	0	0	775
Non-Instructional Services	1,217	0	701,019	702,236
Extracurricular Activities	258,965	0	76,701	335,666
Capital Outlay	0	0	161,892	161,892
Debt Service:				
Principal Retirement	40,776	385,000	120,400	546,176
Interest and Fiscal Charges	17,959	704,965	16,917	739,841
Total Expenditures	<u>16,389,274</u>	<u>1,107,296</u>	<u>2,201,699</u>	<u>19,698,269</u>
Excess of Revenues Over (Under) Expenditures	<u>(401,509)</u>	<u>(70,292)</u>	<u>68,558</u>	<u>(403,243)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	87,000	87,000
Transfers Out	(87,000)	0	0	(87,000)
Total Other Financing Sources (Uses)	<u>(87,000)</u>	<u>0</u>	<u>87,000</u>	<u>0</u>
Changes in Fund Balances	(488,509)	(70,292)	155,558	(403,243)
Fund Balances at Beginning of Year	1,548,949	458,138	387,025	2,394,112
Fund Balances at End of Year	<u>\$1,060,440</u>	<u>\$387,846</u>	<u>\$542,583</u>	<u>\$1,990,869</u>

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2004

Changes in Fund Balances - Total Governmental Funds (\$403,243)

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

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

Capital Outlay - Construction in Progress	44,469	
Capital Outlay - Depreciable Capital Assets	86,122	
Depreciation	<u>(516,221)</u>	(385,630)

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

Property Taxes	67,251	
Income Taxes	38,110	
Intergovernmental	13,203	
Interest	3,129	
Tuition and Fees	2,546	
Charges for Services	<u>(23)</u>	124,216

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 546,176

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 2,026

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	19,048	
Compensated Absences Payable	<u>17,487</u>	<u>36,535</u>

Change in Net Assets of Governmental Activities (\$79,920)

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,438,022	\$6,647,885	\$6,653,446	\$5,561
Income Taxes	3,134,816	2,885,344	2,866,837	(18,507)
Intergovernmental	6,360,462	6,134,396	6,140,455	6,059
Interest	75,870	20,075	18,240	(1,835)
Tuition and Fees	312,916	616,043	540,237	(75,806)
Extracurricular Activities	27,236	26,288	26,722	434
Gifts and Donations	0	983	1,185	202
Miscellaneous	75,893	73,070	83,560	10,490
Total Revenues	<u>16,425,215</u>	<u>16,404,084</u>	<u>16,330,682</u>	<u>(73,402)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,962,272	8,244,396	8,137,967	106,429
Special	1,319,924	1,319,924	1,231,395	88,529
Vocational	379,041	379,041	356,854	22,187
Other	14,000	14,000	13,916	84
Support Services:				
Pupils	1,201,757	1,201,757	1,187,124	14,633
Instructional Staff	475,335	471,332	415,723	55,609
Board of Education	178,133	265,233	250,964	14,269
Administration	1,619,780	1,535,533	1,515,202	20,331
Fiscal	414,398	440,623	433,924	6,699
Operation and Maintenance of Plant	1,727,668	1,640,667	1,603,871	36,796
Pupil Transportation	1,033,448	1,108,046	1,105,888	2,158
Central	775	775	775	0
Non-Instructional Services	610	1,310	1,192	118
Extracurricular Activities	264,953	265,499	257,057	8,442
Total Expenditures	<u>16,592,094</u>	<u>16,888,136</u>	<u>16,511,852</u>	<u>376,284</u>
Excess of Revenues				
Under Expenditures	<u>(166,879)</u>	<u>(484,052)</u>	<u>(181,170)</u>	<u>302,882</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	183	4,186	4,253	67
Advance In	88,542	84,899	84,558	(341)
Advances Out	0	(9,000)	(9,000)	0
Transfers Out	0	(87,000)	(87,000)	0
Total Other Financing Sources (Uses)	<u>88,725</u>	<u>(6,915)</u>	<u>(7,189)</u>	<u>(274)</u>
Changes in Fund Balance	(78,154)	(490,967)	(188,359)	302,608
Fund Balance at Beginning of Year	805,915	805,915	805,915	0
Prior Year Encumbrances Appropriated	110,343	110,343	110,343	0
Fund Balance at End of Year	<u>\$838,104</u>	<u>\$425,291</u>	<u>\$727,899</u>	<u>\$302,608</u>

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2004

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$49,855	\$78,620
<u>Liabilities:</u>		
Undistributed Assets	0	14,420
Due to Students	0	64,200
Total Liabilities	0	\$78,620
<u>Net Assets:</u>		
Held in Trust for Scholarships	24,855	
Endowments	25,000	
Total Net Assets	\$49,855	

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2004

Additions:

Interest	\$515
Miscellaneous	555
Total Additions	<u>1,070</u>

Deductions:

Non-Instructional Services	<u>2,355</u>
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Change in Net Assets	(1,285)
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Net Assets at Beginning of Year	<u>51,140</u>
Net Assets at End of Year	<u><u>\$49,855</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1961. The School District serves an area of approximately one hundred ninety-six square miles and is located in Delaware, Marion, Morrow, and Union Counties. The School District is the 252nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred twenty-six classified employees, one hundred fifty-one certified teaching personnel, and eleven administrative employees who provide services to 2,248 students and other community members. The School District currently operates three elementary schools, a junior high school, a high school, an administration building, and a bus garage.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds.

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2004, investments included nonnegotiable certificates of deposit, repurchase agreements, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Note 2 - Summary of Significant Accounting Policies (continued)

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2004 was \$14,164, which includes \$9,958 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Description	Useful Lives
Land Improvements	25 - 50 years
Buildings and Building Improvements	25 - 75 years
Furniture, Fixtures, and Equipment	3 - 50 years
Vehicles	10 - 15 years
Infrastructure	50 years

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

Note 2 - Summary of Significant Accounting Policies (continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

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

O. Fund Balance Reserves

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

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

P. Interfund Transactions

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

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

Q. 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 management and are either unusual in nature or infrequent in occurrence.

R. Estimates

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

Note 3 - Change in Accounting Principle

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”. GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the School District’s financial statements.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2004, the Title I and Drug Free special revenue funds had deficit fund balances, in the amounts of \$3,079 and \$113, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had final appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2004.

<u>Fund Type/Fund</u>	<u>Estimated Resources Plus Available Balances</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds			
Uniform School Supplies	\$4,709	\$5,046	\$337
Professional Development	0	96	96
ATIP	12,790	16,226	3,436

The Treasurer will review budgeted resources to ensure they are sufficient for amounts appropriated.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Budgetary Basis of Accounting (continued)

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

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

Changes in Fund Balance	
GAAP Basis	(\$488,509)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received in Cash FY 2004	2,366,644
Accrued FY 2004, Not Yet Received in Cash	(2,019,622)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(1,846,470)
Accrued FY 2004, Not Yet Paid in Cash	1,867,602
Cash Adjustments	
Unrecorded Activity FY 2003	167
Unrecorded Activity FY 2004	(19)
Prepaid Items	(1,541)
Materials and Supplies Inventory	(12,837)
Advances In	84,558
Advances Out	(9,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(129,332)
Budget Basis	(\$188,359)

Note 6 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$650 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was (\$42,739) and the bank balance was \$83,546. The entire bank balance was covered by federal depository insurance.

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

	Category 3	Carrying Amount
Repurchase Agreements	\$25	\$25
STAR Ohio		1,969,919
Totals		\$1,969,944

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 - Deposits and Investments (continued)

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,927,855	\$0
Cash on Hand	(650)	0
Investments:		
Repurchase Agreements	(25)	25
STAR Ohio	(1,969,919)	1,969,919
GASB Statement No. 3	(\$42,739)	\$1,969,944

Note 7 - Receivables

Receivables at June 30, 2004, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Homestead and Rollback	\$605
Bond Retirement Fund	
Homestead and Rollback	79
Other Governmental Funds	
Lunchroom	12,015
Student Intervention	25,657
Title I	14,182
Title II-A	23,541
Permanent Improvement	39
Total Other Governmental Funds	75,434
Total Intergovernmental Receivables	\$76,118

Note 8 - Income Taxes

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

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year the settlement was delayed beyond fiscal year end.

The School District receives property taxes from Delaware, Marion, Morrow, and Union Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 9 - Property Taxes (continued)

Accrued property taxes receivable represents the late tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2004, and for which there was 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 reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$886,196, in the General Fund, \$130,452 in the Bond Retirement debt service fund, and \$64,794 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2003, was \$1,334,888 in the General Fund, \$219,459 in the Bond Retirement debt service fund, and \$99,755 in the Permanent Improvement capital projects fund.

The late tax settlement made by the Counties for fiscal year 2004 was \$643 in the General Fund, \$67 in the Bond Retirement debt service fund, and \$33 in the Permanent Improvement capital projects fund. For fiscal year 2003, these amounts were \$759 in the General Fund, \$86 in the Bond Retirement debt service fund, and \$39 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$311,130,360	90.14%	\$319,013,290	86.97%
Industrial and Commercial	0	0.00	14,592,270	3.98
Public Utility	18,627,310	5.40	17,868,000	4.87
Tangible Personal	15,401,455	4.46	15,340,576	4.18
Total Assessed Value	<u>\$345,159,125</u>	<u>100.00%</u>	<u>\$366,814,136</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.80		\$33.52	

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$498,673	\$0	\$0	\$498,673
Construction in Progress	127,176	44,469	(171,645)	0
Total Nondepreciable Capital Assets	625,849	44,469	(171,645)	498,673
Depreciable Capital Assets				
Land Improvements	1,042,279	68,646	0	1,110,925
Buildings and Building Improvements	18,583,283	102,999	0	18,686,282
Furniture, Fixtures, and Equipment	2,156,778	23,724	0	2,180,502
Vehicles	1,437,549	62,398	0	1,499,947
Infrastructure	107,812	0	0	107,812
Total Depreciable Capital Assets	23,327,701	257,767	0	23,585,468
Less Accumulated Depreciation				
Land Improvements	(117,796)	(20,957)	0	(138,753)
Buildings and Building Improvements	(2,716,712)	(249,927)	0	(2,966,639)
Furniture, Fixtures, and Equipment	(1,196,026)	(145,843)	0	(1,341,869)
Vehicles	(998,973)	(97,338)	0	(1,096,311)
Infrastructure	(60,554)	(2,156)	0	(62,710)
Total Accumulated Depreciation	(5,090,061)	(516,221)	0	(5,606,282)
Depreciable Capital Assets, Net	18,237,640	(258,454)	0	17,979,186
Governmental Activities Capital Assets, Net	\$18,863,489	(\$213,985)	(\$171,645)	\$18,477,859

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$175,647
Special	17,032
Vocational	19,292
Support Services:	
Pupils	9,778
Instructional Staff	22,919
Administration	63,101
Fiscal	1,174
Operation and Maintenance of Plant	31,833
Pupil Transportation	99,507
Non-Instructional Services	18,582
Extracurricular Activities	57,356
Total Depreciation Expense	<u>\$516,221</u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2004, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$9,000, resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by the special revenue funds.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance is as follows:

Automobile Liability	\$2,000,000
Uninsured Motorist	1,000,000
Buildings and Contents/Boiler and Machinery	43,950,738

Coverage provided by Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	1,000,000
Total Per Year	3,000,000

Note 12 - Risk Management (continued)

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.

For fiscal year 2004 the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

Note 13 - Defined Benefit Pension Plans (continued)

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$981,073, \$955,680 and \$669,323, respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$6,706 made by the School District and \$19,497 made by plan members.

B. School Employees Retirement System

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

Note 13 - Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$195,778, \$174,921, and \$113,038, respectively; 40 percent has been contributed for the fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$75,983.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$138,822 for fiscal year 2004.

Note 14 - Postemployment Benefits (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is 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 twenty-five days for classified employees and two hundred fifteen days for administrators and certified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to the maximum of eighty days for classified employees and thirty days for certified employees. 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 twenty-five days multiplied by .357 for classified employees, and up to and including two hundred fifteen days multiplied by .333 for certified employees.

B. Health Care Benefits

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

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Balance at 6/30/03	Additions	Reductions	Balance at 6/30/04	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Building General Obligation Bonds FY 19 4.9-6.85%	\$11,855,000	\$0	\$385,000	\$11,470,000	\$400,000
Stadium Construction Loan FY 2001 4.841%	379,185	0	120,400	258,785	126,299
Total General Long-Term Obligations	12,234,185	0	505,400	11,728,785	526,299
Compensated Absences	1,312,464	109,061	126,548	1,294,977	103,096
Capital Leases	170,251	0	40,776	129,475	42,049
Total Governmental Activities Long-Term Obligations	<u>\$13,716,900</u>	<u>\$109,061</u>	<u>\$672,724</u>	<u>\$13,153,237</u>	<u>\$671,444</u>

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

FY 2001 Stadium Construction Loan - On May 18, 2001, the School District obtained a loan, in the amount of \$603,376, for a construction of an athletic stadium. The loan has an interest rate of 4.841 percent. The loan will be paid over a five year period, with final maturity in fiscal year 2006. The loan is being retired from the Permanent Improvement capital projects fund.

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

The School District's overall debt margin was \$21,672,333 with an unvoted debt margin of \$366,814 at June 30, 2004.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 16 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2004, were as follows:

Fiscal Year Ending	School Building General Obligation Bonds		Stadium Construction Loan	
	Principal	Interest	Principal	Interest
2005	\$400,000	\$685,925	\$126,299	\$11,017
2006	420,000	665,625	132,486	4,830
2007	465,000	639,199	0	0
2008	480,000	606,833	0	0
2009	510,000	572,925	0	0
2010-2014	3,035,000	2,282,204	0	0
2015-2019	4,170,000	1,121,628	0	0
2020-2021	1,990,000	105,788	0	0
Totals	<u>\$11,470,000</u>	<u>\$6,680,127</u>	<u>\$258,785</u>	<u>\$15,847</u>

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of 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 leases payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2004 were \$40,776.

	Governmental Activities
Property under Capital Lease	\$225,805
Less Accumulated Depreciation	(105,759)
Total June 30, 2004	<u>\$120,046</u>

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 17 - Capital Leases - Lessee Disclosure (continued)

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, 2004.

Year	Governmental Activities	
	Principal	Interest
2005	\$42,049	\$11,873
2006	51,482	7,257
2007	21,197	2,621
2008	14,747	762
Total	\$129,475	\$22,513

Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	Textbooks	Capital Improvements
Balance June 30, 2003	(\$299,045)	\$0
Current Year Set Aside Requirement	312,571	312,571
Current Year Offsets	0	(312,571)
Qualifying Expenditures	(266,287)	0
Balance June 30, 2004	(\$252,761)	\$0

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

Note 19 - Interfund Transfers

During fiscal year 2004, the General Fund made transfers to other governmental funds, in the amount of \$87,000, to subsidize various food service operations.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$25,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$24,855 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

Note 21 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2004, the School District paid \$125,579 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Delaware Joint Vocational School

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

C. Central Ohio Regional Professional Development Center

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

Note 21 - Jointly Governed Organizations (continued)

D. Central Ohio Special Education Regional Resource Center

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

Note 22 - Insurance Pools

A. Ohio School Plan

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

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

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

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

Note 22 - Insurance Pools (continued)

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

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Karin Moone, who serves as Director, Huntington Center HC1142, Columbus, Ohio 43287.

Note 23 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

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

Note 24 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Note 25 - Subsequent Event

On October 13, 2004, the School District issued general obligation bonds, in the amount of \$4,649,992, to refund 1996 general obligation bonds previously issued for improving and constructing school buildings and facilities. The refunding bonds have an average interest rate of 4.10 percent over the sixteen-year life of the bonds. The bonds are due to mature in fiscal year 2021.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004
(CASH BASIS)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$ -	\$ 36,476	\$ -	\$ 36,476
National School Lunch Program	LL-P4 2003/04	10.555	84,638	-	84,638	-
Special Milk Program for Children	02 PU 2003/04	10.556	202	-	202	-
Total U.S. Department of Agriculture - Nutrition Cluster			84,840	36,476	84,840	36,476
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Department of Public Safety:</i>						
Public Assistance Grant	FEMA-1453 DR	97.036	2,286	-	-	-
Total U.S. Department of Homeland Security			2,286	-	-	-
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B SF 2003/04 6B PB 2004	84.027	324,043	-	290,108	-
Special Education - Preschool Grant	PG S1 2004	84.173	4,566	-	4,566	-
Total Special Education Cluster:			328,609	-	294,674	-
Title I Grants to Local Educational Agencies	C1 S1 2003/04	84.010	280,174	-	149,911	-
Safe Drug-Free Schools in Communities	DR S1 2004	84.186	16,001	-	15,963	-
Innovative Educational Program Strategies	C2 S1 2003/04	84.298	21,422	-	19,718	-
Education Technology State Grant	TJ S1 2004	84.318	8,476	-	8,476	-
Assistive Technology State Grant	AT S4 2002	84.352	4,617	-	17,387	-
Improving Teacher Quality	TR S1 2003/04	84.367	96,866	-	51,951	-
Total U.S. Department of Education			756,165	-	558,080	-
Total Federal Awards			\$ 843,291	\$ 36,476	\$ 642,920	\$ 36,476

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2004**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 19, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated May 19, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the District's management dated May 19, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

May 19, 2005



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH 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 the 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 apply to each of its major federal programs for the year ended June 30, 2004. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Betty Montgomery
Auditor of State

May 19, 2005

BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Special Education Cluster:</u> Special Education Grants to States (IDEA Part B) CFDA #84.027; Special Education Preschool Grant CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)

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

Finding Number	2004-001
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Fiscal Officer Certification

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number (Continued)

2004-001

Fiscal Officer Certification (Continued)

Twenty-four percent of the transactions tested were neither certified by the Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Finding Number

2004-002

Deposit of Public Funds

Ohio Rev. Code Section 9.38 states that a public official other than a state officer, employee, or agent shall deposit all public monies received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the monies on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the monies until the time of deposit.

Seventy-six percent (76%) and thirty-seven percent (37%) of the monies collected from students and School Age Child Care, (SACC), activities, respectively, were not deposited with the District Treasurer or the designated depository within one business day of receipt. The Board has not taken any legislative action to permit the deposit of these monies within three business days, as allowable under this Section.

We recommend the District deposit monies collected with the District Treasurer or the designated depository within one business day. If the Board intends to permit collections to be deposited within three business days, legislation must be enacted with provisions addressing how the monies are to be safeguarded until deposit.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2004-003
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Student Age Child Care (SACC) Tuition Receipts

The Student Age Child Care (SACC) did not maintain subsidiary ledgers detailing the monies owed and received by child and building location. Other than those who requested, SACC did not issue duplicate receipts for tuition payments. Daily attendance logs were not consistently maintained by SACC. And, there was no evidence the SACC Director performed periodic reviews of receipts or compared cash receipts to receipt logs or projected receipts derived from the attendance and/or enrollment rosters. These weaknesses could prevent management from detecting timely the misappropriation of SACC receipts. They also could lead to incorrect financial statements.

Duplicate receipts should be issued for all payments received. The collections received and the duplicate receipts should be reconciled to ensure completeness and accuracy of the day's collection. The receipt collected from each child should be recorded in the subsidiary ledger by child name, the date received, and the running balance owed. A ledger summary should be maintained which summarizes all collections by date and location and agreed to the individual child receipt postings. The Director should review the daily reconciliation of collections to the corresponding duplicate receipts and analyze actual collections to estimated collections. The daily attendance log should be maintained.

We recommend SACC implement procedures to ensure duplicate receipts are issued, the daily reconciliation of receipts to duplicate receipts is performed and reviewed by the Director, the attendance logs are prepared daily, the receipts are posted properly, and the Director periodically compares actual to estimated receipts.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Revised Code, Section 5705.41(D), District did not properly certify expenditure of funds.	No	Not Corrected-Repeated as Finding Number 2004-001



**Auditor of State
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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
JULY 18, 2005**