



**Auditor of State
Betty Montgomery**

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds.....	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund.....	18
Statement of Fiduciary Net Assets.....	19
Statement of Changes in Fiduciary Net Assets.....	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Schedule of Federal Awards Receipts and Expenditures	52
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	55
Schedule of Findings.....	57

THIS PAGE INTENTIONALLY LEFT BLANK



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, (the District), as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, as of June 30, 2003, and the respective changes in financial position, where applicable, and the budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures 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 schedule of federal awards receipts and expenditure 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

June 8, 2004

THIS PAGE INTENTIONALLY LEFT BLANK

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 2003 were as follows:

In total, net assets decreased \$476,677, or almost 6 percent, and while not an overly significant decrease, anytime expenses exceed revenues is of some fiscal concern. Much of this decrease can be attributed to the School District's spending of the cash carryover from the prior fiscal year.

General revenues were \$16,124,117 for fiscal year 2003, or 87 percent of all revenues, and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.

The School District's five-year forecast indicates the School District will have a deficit balance for fiscal year 2005. As a result, the Board will be implementing a number of spending cuts including eliminating eight teaching positions, one elementary guidance position, one maintenance position, two secretarial aides, and preschool speech. In addition, there will be a reduction in administrative salaries and the number of hours worked for four custodians. There will also be a reduction in the supplemental contracts, a reduction in contracted services from TRECA, and a reduction in the purchases of supplies and library books.

Near the end of fiscal year 2003, the School District began contract negotiations with the classified employees. In July 2003, the Board of Education approved the new three-year contract covering fiscal year 2004 through 2006. The provisions of the contract include base salary increases of 3.5 percent, 3 percent, and 3.5 percent over the three-year period. In addition, the percentage of health insurance coverage paid by the Board was reduced. These reductions vary depending on the health insurance program in which the employee participates.

Finally, fiscal year 2003 saw the retirement of long-time treasurer Elizabeth Brown. Mrs. Brown had been with our School District for twenty-five years. The Board hired new treasurer Sandra Griscom in August 2003 to replace Mrs. Brown.

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.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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.

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 2003. 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, the School District discloses a single type of activity, governmental activities. All of the School District's programs and services are reported here 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 governmental 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, 2003
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2003 compared to fiscal year 2002:

Table 1
Net Assets

	Governmental Activities	
	2003	2002
<u>Assets:</u>		
Current and Other Assets	\$11,116,354	\$10,630,432
Capital Assets, Net	18,863,489	19,109,874
Total Assets	29,979,843	29,740,306
<u>Liabilities:</u>		
Current and Other Liabilities	8,523,184	7,311,146
Long-Term Liabilities	13,716,900	14,212,724
Total Liabilities	22,240,084	21,523,870
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	6,459,053	6,238,559
Restricted	765,980	692,597
Unrestricted	514,726	1,285,280
Total Net Assets	\$7,739,759	\$8,216,436

The change in total assets from the prior fiscal year was less than 1 percent; however, there were some fairly significant fluctuations in several asset accounts. Cash and cash equivalents decreased almost \$665,000, or 30 percent, as the School District was forced to dip into the cash carryover from the prior year to pay for current year expenses. There was a 15 percent increase in property taxes receivable, which amounts to approximately \$1,100,000. This is the result of an almost 18 percent increase in assessed valuation as well as a 38 percent increase in delinquent taxes.

Total liabilities increased 3 percent from the prior fiscal year. Deferred revenues increased approximately \$1,098,000 and generally offsets the increase in the receivable for property taxes. There was also an increase of approximately 13 percent for accrued wages and benefits resulting from salary increases.

The sizable decrease in unrestricted net assets of \$770,554 fairly closely approximates the decrease in cash and cash equivalents as the School District spent much of its cash reserves.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities 2003
<u>Revenues</u>	
Program Revenues:	
Charges for Services	\$1,081,776
Operating Grants, Contributions, and Interest	1,126,422
Capital Grants, Contributions, and Interest	152,598
Total Program Revenues	2,360,796
General Revenues:	
Property Taxes	7,524,388
Income Taxes	2,725,239
Grants and Entitlements	5,738,288
Interest	42,113
Miscellaneous	94,089
Total General Revenues	16,124,117
Total Revenues	18,484,913
<u>Expenses</u>	
Instruction:	
Regular	7,942,379
Special	1,562,164
Vocational	405,281
Support Services:	
Pupils	1,342,333
Instructional Staff	521,600
Board of Education	283,273
Administration	1,663,812
Fiscal	405,892
Operation and Maintenance of Plant	1,833,113
Pupil Transportation	1,090,976
Central	775
Non-Instructional Services	734,188
Extracurricular Activities	412,909
Interest and Fiscal Charges	762,895
Total Expenses	18,961,590
Decrease in Net Assets	(\$476,677)

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Program revenues make up 13 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. General revenues, which are 87 percent of total revenues, are almost entirely taxes and unrestricted State entitlements (99 percent). Of this amount, well over half is from property and income taxes. This demonstrates the substantial dependence on local community support for School District operations.

The major program expenses for governmental activities are for instruction, which are 52 percent of total governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation are 16 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, approximately 10 percent. Therefore, over 78 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. Administration costs of \$1,663,812, or almost 9 percent of overall expenses, are comparable to other school districts of Buckeye Valley Local School District's size and student population.

Governmental Activities

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 2003	Net Cost of Services 2003
Instruction:		
Regular	\$7,942,379	\$7,465,943
Special	1,562,164	1,089,983
Vocational	405,281	318,413
Support Services:		
Pupils	1,342,333	1,096,457
Instructional Staff	521,600	521,600
Board of Education	283,273	283,273
Administration	1,663,812	1,663,812
Fiscal	405,892	405,892
Operation and Maintenance of Plant	1,833,113	1,812,101
Pupil Transportation	1,090,976	1,009,658
Central	775	775
Non-Instructional Services	734,188	(101,241)
Extracurricular Activities	412,909	271,233
Interest and Fiscal Charges	762,895	762,895
Total Expenses	\$18,961,590	\$16,600,794

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

With over 87 percent of all governmental activities supported by general revenues, our dependence upon tax revenues and unrestricted state entitlements, primarily State foundation resources, is apparent. Over 89 percent of instruction activities are supported through taxes and other general revenues. Non-instructional services had program revenues in excess of expenses by \$101,241. These program revenues are generally made up of cafeteria sales and state and federal subsidies and donated commodities for food service operations. A little over 34 percent of extracurricular activities expenses are also covered by program revenues. This is primarily from 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. Total governmental funds had revenues of \$18,385,130 and expenditures of \$19,213,404. The overall decrease in fund balance for governmental funds of \$764,859 was a 24 percent decrease; however, most of this was due to the General Fund which had a decrease in fund balance of 34 percent. Factors contributing to this decrease include cash reserve spending, legal costs well over amounts anticipated by the School District, amounts paid to the Educational Service Center for services, and subsidies provided to other governmental funds.

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 2003, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$15,730,688, were higher than the original estimate of \$15,052,494, a 4.3 percent difference. This difference was predominantly due to a conservative estimate for property taxes.

Final expenditures were budgeted at \$16,090,780 while actual expenditures were slightly lower at \$16,047,303. This change was not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$18,863,489 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$246,385, or 1 percent. The combination of disposals during the fiscal year and annual depreciation caused the overall decrease. New vehicles were the primary acquisitions during the fiscal year with the addition of two new buses and a truck. For further information regarding the School District's capital assets, see Note 10 to the basic financial statements.

Buckeye Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt

At June 30, 2003, the School District had outstanding general obligation bonds, in the amount of \$11,855,000, 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 \$379,185. 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 \$170,251. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, see Note 16 to the basic financial statements.

Current Issues

The School District is currently experiencing some turmoil related to several personnel issues. The Board of Education decided in July 2003 not to renew the Superintendent's employment contract after the completion of fiscal year 2004. In December 2003, the Delaware County Prosecutor sought an injunction from the Delaware County Court of Common Pleas to prevent the Board of Education from acting to hire a new superintendent whose employment would begin in August 2004. The Court of Common Pleas denied the injunction indicating that the Board of Education as constituted until December 31, 2003, had the authority to hire a new superintendent. The Delaware County Prosecutor has appealed this decision to the Fifth District Court of Appeals where the matter is currently pending.

Also in December 2003, a lawsuit was filed in the Delaware County Court of Common Pleas by a number of previous members of the Board of Education alleging a violation of the sunshine law in two respects, 1) that the resolutions passed by the Board of Education to go into executive session were not specific enough as required by the Ohio Sunshine Law (the resolution did not state that the Board was going to discuss the non-renewal of the superintendent's contract), and 2) that Board members engaged in discussions outside of open Board meetings or properly called executive sessions. The individual who is to become the new superintendent in August 2004 is also named as a defendant in this lawsuit. As a result, this individual filed a counterclaim declaring that his employment contract is legally valid and binding. This trial is to begin in May 2004.

On April 15, 2004, a motion for summary judgment was filed on behalf of the current Board of Education with the Delaware County Court of Common Pleas seeking dismissal of both claims against the Board of Education.

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, 2003

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,519,571
Accounts Receivable	19,446
Accrued Interest Receivable	3,928
Intergovernmental Receivable	129,576
Income Taxes Receivable	1,192,463
Prepaid Items	14,804
Inventory Held for Resale	9,219
Materials and Supplies Inventory	13,721
Property Taxes Receivable	8,213,626
Nondepreciable Capital Assets	625,849
Depreciable Capital Assets, Net	18,237,640
Total Assets	29,979,843
 <u>Liabilities:</u>	
Accounts Payable	192,371
Accrued Wages and Benefits Payable	1,425,040
Intergovernmental Payable	536,041
Accrued Interest Payable	61,047
Deferred Revenue	6,308,685
Long-Term Liabilities:	
Due Within One Year	657,810
Due in More Than One Year	13,059,090
Total Liabilities	22,240,084
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	6,459,053
Restricted For:	
Debt Service	489,868
Capital Projects	135,464
Other Purposes	140,648
Unrestricted	514,726
Total Net Assets	\$7,739,759

See Accompanying Notes to Basic Financial Statements

Buckeye Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues		
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$7,942,379	\$282,850	\$159,562
Special	1,562,164	0	472,181
Vocational	405,281	13,859	73,009
Support Services:			
Pupils	1,342,333	0	245,876
Instructional Staff	521,600	0	0
Board of Education	283,273	0	0
Administration	1,663,812	0	0
Fiscal	405,892	0	0
Operation and Maintenance of Plant	1,833,113	0	2,932
Pupil Transportation	1,090,976	0	18,424
Central	775	0	0
Non-Instructional Services	734,188	707,892	127,537
Extracurricular Activities	412,909	77,175	26,901
Interest and Fiscal Charges	762,895	0	0
Total Governmental Activities	<u>\$18,961,590</u>	<u>\$1,081,776</u>	<u>\$1,126,422</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
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Note 3
Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$7,465,943)
(1,089,983)
(318,413)

(1,096,457)
(521,600)
(283,273)
(1,663,812)
(405,892)
(1,812,101)
(1,009,658)
(775)

101,241
(271,233)
(762,895)

(16,600,794)

6,103,650
982,678
438,060
2,725,239
5,738,288
42,113
94,089

16,124,117

(476,677)

8,216,436
\$7,739,759

Buckeye Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$912,352	\$238,593	\$364,553	\$1,515,498
Accounts Receivable	15,868	0	3,578	19,446
Accrued Interest Receivable	3,928	0	0	3,928
Interfund Receivable	84,558	0	0	84,558
Intergovernmental Receivable	266	0	129,310	129,576
Income Taxes Receivable	1,192,463	0	0	1,192,463
Prepaid Items	14,130	0	674	14,804
Inventory Held for Resale	0	0	9,219	9,219
Materials and Supplies Inventory	13,662	0	59	13,721
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	4,073	0	0	4,073
Property Taxes Receivable	6,680,398	1,054,094	479,134	8,213,626
Total Assets	\$8,921,698	\$1,292,687	\$986,527	\$11,200,912
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$129,157	\$0	\$63,214	\$192,371
Accrued Wages and Benefits Payable	1,367,793	0	57,247	1,425,040
Interfund Payable	0	0	84,558	84,558
Intergovernmental Payable	349,520	0	14,474	363,994
Deferred Revenue	5,526,279	834,549	380,009	6,740,837
Total Liabilities	7,372,749	834,549	599,502	8,806,800
<u>Fund Balances:</u>				
Reserved for Property Taxes	1,334,888	219,459	99,755	1,654,102
Reserved for Bus Purchase	4,073	0	0	4,073
Reserved for Encumbrances	61,539	0	66,101	127,640
<u>Unreserved Reported in:</u>				
General Fund	148,449	0	0	148,449
Special Revenue Funds	0	0	150,328	150,328
Debt Service Fund	0	238,679	0	238,679
Capital Projects Funds	0	0	70,841	70,841
Total Fund Balances	1,548,949	458,138	387,025	2,394,112
Total Liabilities and Fund Balances	\$8,921,698	\$1,292,687	\$986,527	\$11,200,912

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, 2003

Total Governmental Fund Balances \$2,394,112

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 18,863,489

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	15,539	
Intergovernmental Receivable	646	
Income Taxes Receivable	166,012	
Property Taxes Receivable	249,955	
		432,152

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (172,047)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(61,047)	
General Obligation Bonds Payable	(11,855,000)	
Stadium Construction Loan Payable	(379,185)	
Compensated Absences Payable	(1,312,464)	
Capital Leases Payable	(170,251)	
		(13,777,947)

Net Assets of Governmental Activities \$7,739,759

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, 2003

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$6,046,045	\$976,076	\$433,815	\$7,455,936
Income Taxes	2,736,736	0	0	2,736,736
Intergovernmental	6,087,014	121,247	740,162	6,948,423
Interest	39,441	2,672	650	42,763
Tuition and Fees	254,207	0	191,657	445,864
Extracurricular Activities	26,115	0	82,424	108,539
Charges for Services	0	0	525,847	525,847
Gifts and Donations	765	0	1,650	2,415
Miscellaneous	72,292	0	46,315	118,607
Total Revenues	<u>15,262,615</u>	<u>1,099,995</u>	<u>2,022,520</u>	<u>18,385,130</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,472,205	0	271,593	7,743,798
Special	1,425,242	0	140,427	1,565,669
Vocational	355,673	0	29,335	385,008
Support Services:				
Pupils	1,055,154	0	272,084	1,327,238
Instructional Staff	420,540	0	65,430	485,970
Board of Education	283,273	0	0	283,273
Administration	1,545,844	0	43,386	1,589,230
Fiscal	405,058	17,827	7,780	430,665
Operation and Maintenance of Plant	1,680,438	0	120,180	1,800,618
Pupil Transportation	1,110,300	0	10,000	1,120,300
Central	775	0	0	775
Non-Instructional Services	1,016	0	707,085	708,101
Extracurricular Activities	267,575	0	73,949	341,524
Capital Outlay	0	0	138,858	138,858
Debt Service:				
Principal Retirement	47,813	365,000	114,776	527,589
Interest and Fiscal Charges	19,464	722,783	22,541	764,788
Total Expenditures	<u>16,090,370</u>	<u>1,105,610</u>	<u>2,017,424</u>	<u>19,213,404</u>
Excess of Revenues Over (Under) Expenditures	<u>(827,755)</u>	<u>(5,615)</u>	<u>5,096</u>	<u>(828,274)</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	63,415	0	0	63,415
Transfers In	0	0	65,400	65,400
Transfers Out	(65,400)	0	0	(65,400)
Total Other Financing Sources (Uses)	<u>(1,985)</u>	<u>0</u>	<u>65,400</u>	<u>63,415</u>
Net Change in Fund Balances	(829,740)	(5,615)	70,496	(764,859)
Fund Balances at Beginning of Year -				
Restated (Note 3)	2,378,689	463,753	316,529	3,158,971
Fund Balances at End of Year	<u>\$1,548,949</u>	<u>\$458,138</u>	<u>\$387,025</u>	<u>\$2,394,112</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, 2003

Net Change in Fund Balances - Total Governmental Funds (\$764,859)

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	61,390	
Capital Outlay - Depreciable Capital Assets	157,111	
Depreciable Capital Assets Contributed	37,600	
Depreciation	<u>(501,735)</u>	(245,634)

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed resulting in a loss on disposal of capital assets on the statement of activities. (751)

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

Property Taxes	68,452	
Income Taxes	(11,497)	
Intergovernmental	(8,238)	
Tuition and Fees	15,323	
Charges for Services	23	
Miscellaneous	<u>(1,880)</u>	62,183

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 530,294

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 1,893

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets. (63,415)

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, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(25,333)	
Compensated Absences Payable	<u>28,945</u>	3,612

Change in Net Assets of Governmental Activities (\$476,677)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$5,520,085	\$6,134,569	\$6,082,771	(\$51,798)
Income Taxes	2,953,826	2,973,061	2,763,281	(209,780)
Intergovernmental	6,286,173	6,269,694	6,087,160	(182,534)
Interest	99,978	100,289	44,758	(55,531)
Tuition and Fees	101,207	161,177	254,207	93,030
Extracurricular Activities	25,519	25,697	26,115	418
Gifts and Donations	716	716	765	49
Miscellaneous	64,990	65,485	73,021	7,536
Total Revenues	<u>15,052,494</u>	<u>15,730,688</u>	<u>15,332,078</u>	<u>(398,610)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,561,767	7,332,211	7,320,002	12,209
Special	1,342,877	1,410,798	1,413,508	(2,710)
Vocational	365,748	350,719	348,490	2,229
Other	17,000	13,800	13,335	465
Support Services:				
Pupils	1,133,818	1,152,028	1,149,189	2,839
Instructional Staff	500,756	469,788	462,175	7,613
Board of Education	165,398	276,850	278,096	(1,246)
Administration	1,472,015	1,560,985	1,556,744	4,241
Fiscal	382,497	408,690	407,695	995
Operation and Maintenance of Plant	1,614,493	1,724,869	1,722,548	2,321
Pupil Transportation	929,887	1,054,369	1,108,042	(53,673)
Central	4,000	775	775	0
Non-Instructional Services	1,186	1,605	1,240	365
Extracurricular Activities	315,695	266,434	265,464	970
Total Expenditures	<u>15,807,137</u>	<u>16,023,921</u>	<u>16,047,303</u>	<u>(23,382)</u>
Excess of Revenues				
Under Expenditures	<u>(754,643)</u>	<u>(293,233)</u>	<u>(715,225)</u>	<u>(421,992)</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	285	285
Refund of Prior Year Receipts	0	(13)	(13)	0
Advances Out	0	(84,558)	(84,558)	0
Transfers Out	0	(65,400)	(65,400)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(149,971)</u>	<u>(149,686)</u>	<u>285</u>
Net Change in Fund Balance	(754,643)	(443,204)	(864,911)	(421,707)
Fund Balance at Beginning of Year	1,500,184	1,500,184	1,500,184	0
Prior Year Encumbrances Appropriated	170,642	170,642	170,642	0
Fund Balance at End of Year	<u>\$916,183</u>	<u>\$1,227,622</u>	<u>\$805,915</u>	<u>(\$421,707)</u>

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$51,640	\$63,704
<u>Liabilities:</u>		
Accounts Payable	500	0
Intergovernmental Payable	0	9,164
Undistributed Assets	0	13,281
Due to Students	0	41,259
Total Liabilities	500	\$63,704
<u>Net Assets:</u>		
Held in Trust for Scholarships	26,140	
Endowments	25,000	
Total Net Assets	\$51,140	

See Accompanying Notes to the Basic Financial Statements

Buckeye Valley Local School District
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$705
 <u>Deductions:</u>	
Non-Instructional Services	3,702
Change in Net Assets	(2,997)
Net Assets at Beginning of Year - Restated (Note 3)	54,137
Net Assets at End of Year	\$51,140

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 245th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety classified employees, one hundred forty-six certified teaching personnel, and eleven administrative employees who provide services to 2,257 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 and contributions 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 are 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. 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.

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, 2003, but which were levied to finance fiscal year 2004 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 tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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 2003, 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, 2003.

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 2003 was \$39,441, which includes \$28,408 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, 2003, 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 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	50 - 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 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. 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 activities 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 Principles and Restatement of Fund Balance/Fund Equity

A. Change in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management’s Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the School District’s financial statements for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Fund Equity
(continued)

B. Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Debt Service	Other Governmental	Total Governmental Activities
Fund Balance at June 30, 2002	\$2,378,689	\$463,753	\$294,601	\$3,137,043
GASB Statement No. 34 Adjustment:				
Change in Fund Structure	0	0	21,928	21,928
Adjusted Fund Balance	\$2,378,689	\$463,753	\$316,529	3,158,971
GASB Statement No. 34 Adjustments:				
Accounts Receivable				2,073
Intergovernmental Receivable				8,884
Income Taxes Receivable				177,509
Property Taxes Receivable				181,503
Capital Assets				19,109,874
Intergovernmental Payable				(146,714)
Accrued Interest Payable				(62,940)
General Obligation Bonds Payable				(12,220,000)
Stadium Construction Loan Payable				(493,961)
Compensated Absences Payable				(1,341,409)
Capital Leases Payable				(157,354)
Governmental Activities Net Assets at June 30, 2002				\$8,216,436

	Private Purpose Trust
Fund Equity at June 30, 2002	\$50,669
GASB Statement No. 34 Adjustment:	
Change in Fund Structure	3,468
Adjusted Net Assets at June 30, 2002	\$54,137

Note 4 - Compliance

For the fiscal year ended June 30, 2003, the General Fund/special instruction, board of education, and pupil transportation functions had expenditures in excess of appropriations, in the amount of \$2,710, \$1,246, and \$53,673, respectively. The District did not certify all its purchase commitments in accordance with Ohio Rev. Code Section 5705.41 (D).

The Treasurer is monitoring all budgetary controls to avoid future violations of budgetary compliance.

Note 5 - Budgetary Basis of Accounting

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

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

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting (continued)

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

Net Change in Fund Balance	
GAAP Basis	(\$829,740)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	2,433,563
Accrued FY 2003, Not Yet Received in Cash	(2,366,644)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(1,770,932)
Accrued FY 2003, Not Yet Paid in Cash	1,846,470
Cash Adjustments	
Unrecorded Activity FY 2002	2,259
Unrecorded Activity FY 2003	(167)
Prepaid Items	8,911
Materials and Supplies Inventory	6,270
Advances Out	(84,558)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(110,343)
Budget Basis	(\$864,911)

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.

Note 6 - Deposits and Investments (continued)

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

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).

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.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments (continued)

At fiscal year end, the School District had \$400 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 (\$11,841) and the bank balance was \$88,470. 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	Fair Value
Repurchase Agreements	\$870,242	\$870,242	\$870,259
STAR Ohio		776,114	776,114
Totals		\$1,646,356	\$1,646,373

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	\$1,634,915	\$0
Cash on Hand	(400)	0
Investments:		
Repurchase Agreements	(870,242)	776,114
STAR Ohio	(776,114)	870,242
GASB Statement No. 3	(\$11,841)	\$1,646,356

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Receivables

Receivables at June 30, 2003, 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:

	<u>Amount</u>
Governmental Activities	
General Fund	\$266
Other Governmental Funds	
Lunchroom	12,510
Title I	87,524
Title II-A	24,584
FEMA - Public Assistance	2,932
21 st Century Grant	1,760
Total Other Governmental Funds	<u>129,310</u>
Total Intergovernmental Receivables	<u>\$129,576</u>

Note 8 - Income Taxes

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

Note 9 - Property Taxes

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

Note 9 - Property Taxes (continued)

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 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, 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 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, 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 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, 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, 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 amount available as an advance at June 30, 2002, was \$1,371,572 in the General Fund, \$246,230 in the Bond Retirement debt service fund, and \$101,190 in the Permanent Improvement capital projects fund.

The late tax settlement made by the Counties for fiscal year 2003 was \$759 in the General Fund, \$86 in the Bond Retirement debt service fund, and \$39 in the Permanent Improvement capital projects fund. For fiscal year 2002, these amounts were \$801 in the General Fund, \$101 in the Bond Retirement debt service fund, and \$41 in the Permanent Improvement capital projects fund.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Property Taxes (continued)

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$264,365,770	90.16%	\$311,130,360	90.14%
Public Utility	15,738,500	5.37	18,627,310	5.40
Tangible Personal	13,120,332	4.47	15,401,455	4.46
Total Assessed Value	<u>\$293,224,602</u>	<u>100.00%</u>	<u>\$345,159,125</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.15		\$33.80	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$498,673	\$0	\$0	\$498,673
Construction in Progress	676,937	61,390	(611,151)	127,176
Total Nondepreciable Capital Assets	<u>1,175,610</u>	<u>61,390</u>	<u>(611,151)</u>	<u>625,849</u>
Depreciable Capital Assets				
Land Improvements	558,952	613,651	(130,324)	1,042,279
Buildings and Building Improvements	18,563,334	23,100	(3,151)	18,583,283
Furniture, Fixtures, and Equipment	2,136,228	26,113	(5,563)	2,156,778
Vehicles	1,369,720	142,998	(75,169)	1,437,549
Infrastructure	107,812	0	0	107,812
Total Depreciable Capital Assets	<u>22,736,046</u>	<u>805,862</u>	<u>(214,207)</u>	<u>23,327,701</u>

(continued)

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 - Capital Assets (continued)

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Less Accumulated Depreciation				
Land Improvements	(\$227,277)	(\$20,843)	\$130,324	(\$117,796)
Buildings and Building Improvements	(2,470,396)	(248,716)	2,400	(2,716,712)
Furniture, Fixtures, and Equipment	(1,066,605)	(134,984)	5,563	(1,196,026)
Vehicles	(979,106)	(95,036)	75,169	(998,973)
Infrastructure	(58,398)	(2,156)	0	(60,554)
Total Accumulated Depreciation	<u>(4,801,782)</u>	<u>(501,735)</u>	<u>213,456</u>	<u>(5,090,061)</u>
Depreciable Capital Assets, Net	<u>17,934,264</u>	<u>304,127</u>	<u>(751)</u>	<u>18,237,640</u>
Governmental Activities Capital Assets, Net	<u>\$19,109,874</u>	<u>\$365,517</u>	<u>(\$611,902)</u>	<u>\$18,863,489</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$176,768
Special	15,407
Vocational	19,292
Support Services:	
Pupils	9,778
Instructional Staff	23,038
Administration	51,475
Fiscal	1,174
Operation and Maintenance of Plant	31,040
Pupil Transportation	97,612
Non-Instructional Services	18,568
Extracurricular Activities	57,583
Total Depreciation Expense	<u>\$501,735</u>

The School District accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$37,600 during fiscal year 2003.

Note 11 - Interfund Assets/Liabilities

At June 30, 2003, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$84,558, 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 2003 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

Coverage provided by The Hartford is as follows:

Buildings and Contents/Boiler and Machinery	42,120,422
---	------------

Coverage provided by Ohio School Plan is as follows:

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

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

For fiscal year 2003 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 2003, 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.

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, 2003, plan members were required to contribute 9.3 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, 2003, 2002, and 2001 was \$955,680, \$669,323 and \$586,588, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$10,103 made by the School District and \$20,234 made by plan members.

Note 13 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 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, 2003, 2002, and 2001 were \$174,921, \$113,038, and \$76,628, respectively; 46 percent has been contributed for the fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

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, 2003, 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds 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 Reserve Fund. For the School District, this amount was \$74,291.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2002. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

Note 14 - Postemployment Benefits (continued)

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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$188,220 for fiscal year 2003.

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, 2002, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 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 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, 2003

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Restated Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Building General Obligation Bonds FY 1996 4.100%	\$12,220,000	\$0	\$365,000	\$11,855,000	\$385,000
Stadium Construction Loan FY 2001 4.841%	493,961	0	114,776	379,185	120,400
Total General Long-Term Obligations	12,713,961	0	479,776	12,234,185	505,400
Compensated Absences	1,341,409	109,491	138,436	1,312,464	115,176
Capital Leases	157,354	63,415	50,518	170,251	37,234
Total Governmental Activities Long-Term Obligations	<u>\$14,212,724</u>	<u>\$172,906</u>	<u>\$668,730</u>	<u>\$13,716,900</u>	<u>\$657,810</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.

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Long-Term Obligations (continued)

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 \$19,288,274 with an unvoted debt margin of \$345,159 at June 30, 2003.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2003, were as follows:

Fiscal Year Ending	School Building General Obligation Bonds		Stadium Construction Loan	
	Principal	Interest	Principal	Interest
2004	\$385,000	\$704,965	\$120,400	\$16,917
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
2009-2013	2,860,000	2,484,108	0	0
2014-2018	3,920,000	1,363,630	0	0
2019-2021	2,925,000	234,807	0	0
Totals	<u>\$11,855,000</u>	<u>\$7,385,092</u>	<u>\$379,185</u>	<u>\$32,764</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. New capital leases are reflected in the accounts "Administration" and "Inception of Capital Lease" in the funds which will be making the lease payments. 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 2003 were \$47,813. During fiscal year 2003, a capital lease was terminated which resulted in a reduction in the capital lease liability of \$2,705.

	Governmental Activities
Property under Capital Lease	\$225,805
Less Accumulated Depreciation	(60,598)
Total June 30, 2003	<u>\$165,207</u>

Buckeye Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 17 - Capital Leases - Lessee Disclosure (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Governmental Activities
2004	\$53,918
2005	58,739
2006	58,739
2007	23,818
2008	15,509
Subtotal	210,723
Less Amount Representing Interest	(40,472)
Present Value of Net Minimum Lease Payments	\$170,251

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 2003.

	Textbooks	Capital Improvements
Balance June 30, 2002	(\$238,204)	\$0
Current Year Set Aside Requirement	302,174	302,174
Current Year Offsets	0	(302,174)
Qualifying Expenditures	(363,015)	0
Balance June 30, 2003	(\$299,045)	\$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 2003, the General Fund made transfers to other governmental funds, in the amount of \$65,400, to subsidize various programs in other funds.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$25,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$26,140 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 2003, the School District paid \$139,852 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.

Note 21 - Jointly Governed Organizations (continued)

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 high 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 Hugh Garside, Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

D. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a one hundred five member board including the superintendent from the eighty-nine participating School Districts, two representatives from a non-public school, six representatives from participating educational service centers, two representatives from the Department of Youth Services, five representatives from special education facilities, and one parent of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from 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-Hyre 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-Hyre 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-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Note 22 - Insurance Pools (continued)

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

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

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

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

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

Each participant decides which plans offered by the Administration 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, 2003.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003
(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	\$ -	\$ 32,707	\$ -	\$ 32,707
National School Lunch Program	LL-P4 2002/03	10.555	79,860	-	79,860	-
Special Milk Program for Children	02 PU 2002/03	10.556	162	-	162	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>80,022</u>	<u>32,707</u>	<u>80,022</u>	<u>32,707</u>
<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			<u>-</u>	<u>-</u>	<u>2,286</u>	<u>-</u>
<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 2001/02	84.027	250,421	-	254,647	-
Special Education - Preschool Grant	PG S1 2002	84.173	4,507	-	4,507	-
Total Special Education Cluster:			<u>254,928</u>	<u>-</u>	<u>259,154</u>	<u>-</u>
Title I Grants to Local Educational Agencies	C1 S1 2002/03	84.010	35,024	-	120,373	-
Safe Drug-Free Schools in Communities	DR S1 2003	84.186	3,210	-	225	-
Eisenhower Professional Development State	MS S1 2002	84.281	152	-	9,663	-
Innovative Educational Program Strategies	C2 S1 2002/03	84.298	12,835	-	13,283	-
Education Technology State Grant	TJ S1 2003	84.318	957	-	-	-
Assistive Technology State Grant	AT S3 2002	84.352	-	-	904	-
Improving Teacher Quality	TR S1 2003	84.367	42,722	-	31,251	-
Total U.S. Department of Education			<u>349,828</u>	<u>-</u>	<u>434,853</u>	<u>-</u>
Total Federal Awards			<u>\$ 429,850</u>	<u>\$ 32,707</u>	<u>\$ 517,161</u>	<u>\$ 32,707</u>

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 COMPLIANCE AND ON
INTERNAL CONTROL 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 Buckeye Valley Local School District, Delaware County, Ohio, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated June 8, 2004, wherein we noted the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 8, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 8, 2004.

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

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

Betty Montgomery
Auditor of State

June 8, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 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 are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2003.

Internal Control Over Compliance

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

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



Betty Montgomery
Auditor of State

June 8, 2004

BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003

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)?	No
<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):	Special Education Cluster: 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**

JUNE 30, 2003

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
(Continued)**

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

Finding Number	2003-001
-----------------------	-----------------

Prior Certification of Expenditures

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board of Education may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education upon completion of a then and now certificate, if such expenditure is otherwise valid. After April 7, 2003, this amount increased to \$3,000.

Thirty-two percent of the transactions tested were not certified by the Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification.

We recommend the District certify transactions in accordance with the Ohio Rev. Code Section 5705.41(D) as a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board of Education.

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 20, 2004**