



**Auditor of State
Betty Montgomery**

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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

April 25, 2006

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2005 were as follows:

In total, net assets increased \$1,894,106, over 24 percent, and a significant change from fiscal year 2004. Compared to the past few fiscal years, this is a great improvement as net assets decreased in both of the prior two fiscal years. The increase in net assets can be attributed to an increase in property and income tax revenues, the result of new construction and therefore new residents. The School District has also been very careful with expenses as many of the cuts made two years ago have not been restored.

General revenues were \$18,780,706 for fiscal year 2005, or 87 percent of total revenues, and reflect the School District's significant dependence on taxes and unrestricted state entitlements.

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

In fiscal year 2005, the School District successfully sold general obligation bonds, in the amount of \$4,650,000, to refinance a portion of the fiscal year 1996 bond issue. Like many homeowners, the School District took advantage of historically low interest rates, but unlike homeowners whose mortgages are payable in full at any time, without penalty, school district bonds are always protected from refunding for ten years after issuance. Accordingly, the refunded bonds were callable or refundable in December 2005. The proceeds from the refunding bond issue were deposited into an escrow account until December 2005 when they were fully retired. As a result of the refunding, the School District, in effect, lowered its aggregated debt services payments by \$389,052 over the next sixteen years.

The bonds were insured by FSA Bond Insurance Company and carry a Standard and Poors AAA rating based upon bond insurance. The interest rate on the new bonds averages 3 percent over the sixteen year life of the bonds. This transaction will make the School District stronger financially and was a sound financial decision. It came to market at a particularly attractive time.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Using the Basic Financial Statements

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

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

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

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 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

Table 1
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets:</u>		
Current and Other Assets	\$12,988,998	\$11,935,489
Capital Assets, Net	18,387,017	18,477,859
Total Assets	31,376,015	30,413,348
<u>Liabilities:</u>		
Current and Other Liabilities	8,922,249	9,600,552
Long-Term Liabilities	12,900,101	13,153,237
Total Liabilities	21,822,350	22,753,789
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	7,315,123	6,619,599
Restricted	527,399	936,380
Unrestricted	1,711,143	103,580
Total Net Assets	\$9,553,665	\$7,659,559

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

While the overall increase in total assets was not very significant, there were several notable increases within current and other assets. Cash and cash equivalents increased over \$370,000, primarily the result of increased property and income tax revenues. Likewise, property and income taxes receivable increased, approximately \$341,000 and \$275,000, respectively. These increases are due to increased new construction and additional residents within the School District. The effect of these increases is also demonstrated in the increase in unrestricted net assets.

A combination of decreases in two liabilities accounted for most of the decrease in current and other liabilities. There was a large amount of accounts payable in the prior fiscal year as large supply orders were placed close to fiscal year end. Similar orders were not made in fiscal year 2005; these orders were not made until after fiscal year end. There was also an 8 percent decrease in deferred revenue in fiscal year 2005 due to more tax resources available for an advance at the end of the fiscal year.

Table 2 reflects the changes in net assets for fiscal year 2005 and fiscal year 2004.

Table 2
Change in Net Assets

	Governmental Activities	
	2005	2004
<u>Revenues:</u>		
Program Revenues		
Charges for Services	\$1,538,480	\$1,411,073
Operating Grants, Contributions, and Interest	1,270,562	1,201,672
Capital Grants, Contributions, and Interest	64,887	91,514
Total Program Revenues	<u>2,873,929</u>	<u>2,704,259</u>
General Revenues		
Property Taxes Levied for General Purposes	7,804,771	6,261,817
Property Taxes Levied for Debt Service	1,051,548	918,966
Property Taxes Levied for Permanent Improvements	565,321	446,253
Income Taxes Levied for General Purposes	3,433,097	3,010,878
Grants and Entitlements	5,667,174	5,903,587
Interest	93,230	17,487
Gifts and Donations	2,998	885
Miscellaneous	162,567	155,110
Total General Revenues	<u>18,780,706</u>	<u>16,714,983</u>
Total Revenues	<u>21,654,635</u>	<u>19,419,242</u>

(continued)

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities	
	2005	2004
<u>Expenses:</u>		
Instruction:		
Regular	\$8,698,662	\$8,546,907
Special	1,537,517	1,503,774
Vocational	430,111	437,460
Support Services:		
Pupils	1,645,205	1,631,765
Instructional Staff	453,754	487,330
Board of Education	144,785	234,539
Administration	1,599,071	1,557,602
Fiscal	467,131	473,366
Operation and Maintenance of Plant	1,673,193	1,619,548
Pupil Transportation	1,379,102	1,181,778
Central	2,185	775
Non-Instructional Services	718,427	703,425
Extracurricular Activities	413,327	383,078
Interest and Fiscal Charges	598,059	737,815
Total Expenses	<u>19,760,529</u>	<u>19,499,162</u>
Increase (Decrease) in Net Assets	1,894,106	(79,920)
Net Assets Beginning of Year	<u>7,659,559</u>	<u>7,739,479</u>
Net Assets End of Year	<u>\$9,553,665</u>	<u>\$7,659,559</u>

Overall, the increase in program revenues from the prior fiscal year was not significant; however, capital grants and contributions decreased as the School District received less transportation related resources in fiscal year 2005. The percentage of program revenues to total revenues remained consistent with fiscal year 2004.

As was indicated previously, both property and income taxes reflect increases resulting from new construction and additional residents. These resources are the primary reason for the 12 percent increase in general revenues.

A comparison of expenses reveals little change from fiscal year 2004.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$8,698,662	\$8,546,907	\$7,875,201	\$7,785,149
Special	1,537,517	1,503,774	676,757	686,302
Vocational	430,111	437,460	328,208	370,845
Support Services:				
Pupils	1,645,205	1,631,765	1,623,126	1,607,330
Instructional Staff	453,754	487,330	453,754	487,330
Board of Education	144,785	234,539	144,785	234,539
Administration	1,599,071	1,557,602	1,599,071	1,557,602
Fiscal	467,131	473,366	467,131	473,366
Operation and Maintenance of Plant	1,673,193	1,619,548	1,655,678	1,604,386
Pupil Transportation	1,379,102	1,181,778	1,342,344	1,096,151
Central	2,185	775	2,185	775
Non-Instructional Services	718,427	703,425	(189,691)	(124,013)
Extracurricular Activities	413,327	383,078	309,992	277,326
Interest and Fiscal Charges	598,059	737,815	598,059	737,815
Total Expenses	<u>\$19,760,529</u>	<u>\$19,499,162</u>	<u>\$16,886,600</u>	<u>\$16,794,903</u>

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

One of the programs which did receive substantial program revenues in fiscal year 2005 was for special instruction (56 percent support from program revenues). This is made up entirely of operating grants restricted for various special instruction programs. Another program receiving significant program revenues was non-instructional services. In fact, program revenues exceeded the costs of providing these services again in fiscal year 2005. This is generally made up of cafeteria sales and state and federal subsidies and donated commodities for food service operations. Also included in the program revenues related to non-instructional services are the resources from the School Age Child Care (after-school) program. Lastly, 25 percent of extracurricular activities expenses are covered by program revenues. This is primarily music and athletic fees, ticket sales, and gate receipts.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major fund is the General Fund. For the General Fund, fund balance increased over 100 percent. This was due to the increase in property taxes and income taxes as discussed previously.

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 2005, the School District amended its General Fund budget as needed. A review of the budgetary comparison statement reflects that very little changed for both revenues and expenditures from the original budget to the final budget as well as from the final budget to actual revenues received or expenditures made.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$18,387,017 invested in capital assets (net of accumulated depreciation), a decrease of \$90,842, less than 1 percent. The School District's additions for the fiscal year were offset by depreciation expense, therefore, little change. The larger additions for the fiscal year consisted of paving a parking lot and purchasing a school bus. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2005, the School District had outstanding general obligation bonds, in the amount of \$11,112,659, a stadium construction loan, in the amount of \$132,486, and paving project loan, in the amount of \$239,000. The School District also had several outstanding capital leases for equipment, in the amount of \$87,480. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Current Issues

A Strategic Planning Committee, made up of board members, administrators, staff, and community members has been formed to create a mission statement for the School District, look at future planning, and set goals. Four sub-committees have been formed under this Strategic Planning: Student Achievement Committee, Finance Committee, Facilities Committee, and Communications Committee. A community survey went out to the residents to get their opinions of the School District. The survey indicated that the School District needs to look toward new growth in the near future and look at facilities while remaining fiscally responsible.

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
DELAWARE COUNTY**

Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,172,782
Accounts Receivable	18,466
Accrued Interest Receivable	6,065
Due from External Parties	1,048
Intergovernmental Receivable	30,492
Income Taxes Receivable	1,611,286
Prepaid Items	21,915
Inventory Held for Resale	6,909
Materials and Supplies Inventory	32,807
Property Taxes Receivable	8,994,763
Unamortized Issuance Costs	92,465
Nondepreciable Capital Assets	498,673
Depreciable Capital Assets, Net	17,888,344
Total Assets	<u>31,376,015</u>
 <u>Liabilities:</u>	
Accounts Payable	156,171
Contracts Payable	112,686
Accrued Wages and Benefits Payable	1,419,248
Matured Compensated Absences Payable	21,461
Intergovernmental Payable	500,922
Accrued Interest Payable	50,752
Deferred Revenue	6,661,009
Long-Term Liabilities:	
Due Within One Year	764,480
Due in More Than One Year	12,135,621
Total Liabilities	<u>21,822,350</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,315,123
Restricted For:	
Debt Service	133,370
Capital Projects	235,768
Other Purposes	158,261
Unrestricted	1,711,143
Total Net Assets	<u><u>\$9,553,665</u></u>

See Accompanying Notes to Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest		
<u>Governmental Activities:</u>					
<u>Instruction:</u>					
Regular	\$8,698,662	\$657,964	\$146,177	\$19,320	(\$7,875,201)
Special	1,537,517	0	860,760	0	(676,757)
Vocational	430,111	48,777	53,126	0	(328,208)
<u>Support Services:</u>					
Pupils	1,645,205	0	22,079	0	(1,623,126)
Instructional Staff	453,754	0	0	0	(453,754)
Board of Education	144,785	0	0	0	(144,785)
Administration	1,599,071	0	0	0	(1,599,071)
Fiscal	467,131	0	0	0	(467,131)
Operation and Maintenance of Plant	1,673,193	0	1,901	15,614	(1,655,678)
Pupil Transportation	1,379,102	0	7,575	29,183	(1,342,344)
Central	2,185	0	0	0	(2,185)
Non-Instructional Services	718,427	734,104	174,014	0	189,691
Extracurricular Activities	413,327	97,635	4,930	770	(309,992)
Interest and Fiscal Charges	598,059	0	0	0	(598,059)
Total Governmental Activities	\$19,760,529	\$1,538,480	\$1,270,562	\$64,887	(16,886,600)

General Revenues:

Property Taxes Levied for General Purposes	7,804,771
Property Taxes Levied for Debt Service	1,051,548
Property Taxes Levied for Permanent Improvements	565,321
Income Taxes Levied for General Purposes	3,433,097
Grants and Entitlements not Restricted to Specific Programs	5,667,174
Interest	93,230
Gifts and Donations	2,998
Miscellaneous	162,567
Total General Revenues	18,780,706

Change in Net Assets 1,894,106

Net Assets at Beginning of Year 7,659,559

Net Assets at End of Year \$9,553,665

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,337,038	\$806,561	\$2,143,599
Accounts Receivable	5,935	12,531	18,466
Accrued Interest Receivable	6,065	0	6,065
Due from External Parties	1,048	0	1,048
Interfund Receivable	8,150	0	8,150
Intergovernmental Receivable	1,701	28,791	30,492
Income Taxes Receivable	1,611,286	0	1,611,286
Prepaid Items	21,915	0	21,915
Inventory Held for Resale	0	6,909	6,909
Materials and Supplies Inventory	32,685	122	32,807
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	29,183	0	29,183
Property Taxes Receivable	7,479,662	1,515,101	8,994,763
Total Assets	\$10,534,668	\$2,370,015	\$12,904,683
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$82,304	\$73,867	\$156,171
Contracts Payable	0	112,686	112,686
Accrued Wages and Benefits Payable	1,369,035	50,213	1,419,248
Matured Compensated Absences Payable	21,461	0	21,461
Interfund Payable	0	8,150	8,150
Intergovernmental Payable	457,054	43,868	500,922
Deferred Revenue	6,084,736	1,202,705	7,287,441
Total Liabilities	8,014,590	1,491,489	9,506,079
 <u>Fund Balances:</u>			
Reserved for Property Taxes	1,613,779	337,686	1,951,465
Reserved for Encumbrances	212,006	157,858	369,864
<u>Unreserved Reported in:</u>			
General Fund	694,293	0	694,293
Special Revenue Funds	0	96,239	96,239
Debt Service Fund	0	311,115	311,115
Capital Projects Funds (Deficit)	0	(24,372)	(24,372)
Total Fund Balances	2,520,078	878,526	3,398,604
Total Liabilities and Fund Balances	\$10,534,668	\$2,370,015	\$12,904,683

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances \$3,398,604

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. 18,387,017

Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 92,465

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

Accounts Receivable	12,426	
Intergovernmental Receivable	18,699	
Income Taxes Receivable	214,259	
Property Taxes Receivable	381,048	
	<u>626,432</u>	626,432

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

Accrued Interest Payable	(50,752)	
General Obligation Bonds Payable	(11,112,659)	
Stadium Construction Loan Payable	(132,486)	
Paving Project Loan Payable	(239,000)	
Compensated Absences Payable	(1,328,476)	
Capital Leases Payable	(87,480)	
	<u>(12,950,853)</u>	(12,950,853)

Net Assets of Governmental Activities \$9,553,665

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$7,748,260	\$1,609,538	\$9,357,798
Income Taxes	3,422,960	0	3,422,960
Intergovernmental	5,851,387	1,137,419	6,988,806
Interest	83,876	13,197	97,073
Tuition and Fees	633,684	311,527	945,211
Extracurricular Activities	26,410	72,927	99,337
Charges for Services		492,862	492,862
Gifts and Donations	2,140	12,678	14,818
Miscellaneous	124,934	40,492	165,426
Total Revenues	<u>17,893,651</u>	<u>3,690,640</u>	<u>21,584,291</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,968,504	706,427	8,674,931
Special	1,274,203	228,272	1,502,475
Vocational	356,645	51,590	408,235
Support Services:			
Pupils	1,163,680	466,109	1,629,789
Instructional Staff	372,257	90,190	462,447
Board of Education	143,333	1,452	144,785
Administration	1,559,088	26,163	1,585,251
Fiscal	449,678	25,979	475,657
Operation and Maintenance of Plant	1,583,688	61,289	1,644,977
Pupil Transportation	1,216,612	127,690	1,344,302
Central	2,185	0	2,185
Non-Instructional Services	30,428	675,936	706,364
Extracurricular Activities	261,868	97,020	358,888
Capital Outlay	0	252,842	252,842
Debt Service:			
Principal Retirement	41,995	647,299	689,294
Interest and Fiscal Charges	11,849	574,285	586,134
Issuance Costs	0	93,879	93,879
Total Expenditures	<u>16,436,013</u>	<u>4,126,422</u>	<u>20,562,435</u>
Excess of Revenues Over (Under) Expenditures	<u>1,457,638</u>	<u>(435,782)</u>	<u>1,021,856</u>
<u>Other Financing Sources (Uses):</u>			
Loan Proceeds	0	290,000	290,000
Bonds Issued	0	4,650,000	4,650,000
Premium on Bonds Issued	0	392,989	392,989
Payment to Refunded Bond Escrow Agent	0	(4,949,110)	(4,949,110)
Sale of Capital Assets	2,000	0	2,000
Total Other Financing Sources (Uses)	<u>2,000</u>	<u>383,879</u>	<u>385,879</u>
Changes in Fund Balances	1,459,638	(51,903)	1,407,735
Fund Balances at Beginning of Year	<u>1,060,440</u>	<u>930,429</u>	<u>1,990,869</u>
Fund Balances at End of Year	<u>\$2,520,078</u>	<u>\$878,526</u>	<u>\$3,398,604</u>

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**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, 2005**

Changes in Fund Balances - Total Governmental Funds \$1,407,735

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	408,544	
Depreciation	(488,410)	
	(488,410)	(79,866)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(2,000)	
Loss on Disposal of Capital Assets	(8,976)	
	(8,976)	(10,976)

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

Property Taxes	63,842	
Income Taxes	10,137	
Intergovernmental	(548)	
Interest	(3,129)	
Tuition and Fees	42	
	42	70,344

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

General Obligation Bonds Payable	5,120,000	
Stadium Construction Loan Payable	126,299	
Paving Project Loan Payable	51,000	
Capital Leases Payable	41,995	
	41,995	5,339,294

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

Accounting Loss	299,110	
Amortization of Accounting Loss	(4,503)	
	(4,503)	294,607

(continued)

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**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, 2005
(continued)**

Bond and loan proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets.

General Obligation Bonds	(4,650,000)	
Premium on Bonds Issued	(392,989)	
Paving Project Loan	(290,000)	
		(5,332,989)

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

Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	8,269	
Annual Accretion on Capital Appreciation Bonds	(20,192)	
Amortization of Premium	5,915	
		(6,008)

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

Unamortized Issuance Costs	93,879	
Amortization of Issuance Costs	(1,414)	
		92,465

Some expenses reported on the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	152,999	
Compensated Absences Payable	(33,499)	
		119,500
Change in Net Assets of Governmental Activities		\$1,894,106

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$6,818,561	\$6,947,454	\$7,020,236	\$72,782
Income Taxes	2,904,811	2,841,543	3,158,315	316,772
Intergovernmental	5,707,832	5,612,457	5,851,696	239,239
Interest	39,505	64,550	77,469	12,919
Tuition and Fees	516,141	535,059	633,697	98,638
Extracurricular Activities	29,297	29,234	26,590	(2,644)
Gifts and Donations	0	851	2,140	1,289
Miscellaneous	73,985	44,287	82,274	37,987
Total Revenues	<u>16,090,132</u>	<u>16,075,435</u>	<u>16,852,417</u>	<u>776,982</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,035,400	8,184,703	8,180,392	4,311
Special	1,275,711	1,275,711	1,271,562	4,149
Vocational	347,498	357,402	356,240	1,162
Support Services:				
Pupils	1,272,868	1,173,288	1,170,002	3,286
Instructional Staff	443,993	444,672	415,241	29,431
Board of Education	181,725	181,725	151,082	30,643
Administration	1,580,862	1,580,861	1,557,178	23,683
Fiscal	439,998	439,999	438,567	1,432
Operation and Maintenance of Plant	1,605,400	1,605,400	1,591,564	13,836
Pupil Transportation	1,105,505	1,244,077	1,227,551	16,526
Central	800	800	0	800
Non-Instructional Services	31,687	31,687	30,457	1,230
Extracurricular Activities	294,856	295,905	264,064	31,841
Total Expenditures	<u>16,616,303</u>	<u>16,816,230</u>	<u>16,653,900</u>	<u>162,330</u>
Excess of Revenues Over (Under) Expenditures	<u>(526,171)</u>	<u>(740,795)</u>	<u>198,517</u>	<u>939,312</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	31,896	31,825	40,601	8,776
Sale of Capital Assets	0	0	2,000	2,000
Advances In	6,733	8,607	9,000	393
Advances Out	0	(8,150)	(8,150)	0
Total Other Financing Sources (Uses)	<u>38,629</u>	<u>32,282</u>	<u>43,451</u>	<u>11,169</u>
Changes in Fund Balance	(487,542)	(708,513)	241,968	950,481
Fund Balance at Beginning of Year	727,899	727,899	727,899	0
Prior Year Encumbrances Appropriated	129,332	129,332	129,332	0
Fund Balance at End of Year	<u>\$369,689</u>	<u>\$148,718</u>	<u>\$1,099,199</u>	<u>\$950,481</u>

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$51,603	\$87,391
<u>Liabilities:</u>		
Due to External Parties	0	\$1,048
Undistributed Assets	0	16,538
Due to Students	0	69,805
Total Liabilities	0	\$87,391
<u>Net Assets:</u>		
Held in Trust for Scholarships	26,603	
Endowments	25,000	
Total Net Assets	\$51,603	

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**Statement of Change in Fiduciary Net Assets
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2005**

Additions:

Interest	\$1,748
Miscellaneous	800
Total Additions	<u>2,548</u>

Deductions:

Non-Instructional Services	<u>800</u>
----------------------------	------------

Change in Net Assets 1,748

Net Assets at Beginning of Year	<u>49,855</u>
Net Assets at End of Year	<u><u>\$51,603</u></u>

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 242nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by one hundred three classified employees, one hundred fifty-one certified teaching personnel, and ten administrative employees who provide services to 2,260 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 20 and 21 to the basic financial statements.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

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

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

Fiduciary Funds

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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, 2005, but which were levied to finance fiscal year 2006 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

The 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 2005, investments included repurchase agreements and STAR Ohio. Repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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 2005 was \$83,876, which includes \$13,101 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, 2005, 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 externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

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

All capital assets are capitalized at cost 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2005, net assets restricted by enabling legislation was \$799,686.

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 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Interfund Transactions

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

R. Estimates

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

Note 3 - Change in Accounting Principle

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the School District's financial statements.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2005, the following funds had deficit fund balances:

Fund	Deficit
Special Revenue Funds	
Athletic & Music	\$9,838
Entry Year Teacher	59
Student Intervention	266
Title I	947
Title V	59
Safe and Drug Free Schools	91

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had final appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2005.

Fund Type/Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Special Revenue Funds			
Marcia Pollock Library Memorial	\$462	\$1,428	\$966
Early Childhood Development	254,090	285,059	30,969
Professional Development	909	946	37
Athletic and Music	87,377	91,474	4,097
Ohio Reads	39,271	53,271	14,000
Safe School Help Line	2,153	2,291	138
PBS	7,809	9,036	1,227
Preschool	4,566	6,508	1,942
Title II-D Tech	1,912	5,183	3,271

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 4 - Accountability and Compliance (Continued)

The following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2005.

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
Marcia Pollock Library Memorial	\$1,428	\$1,886	\$458
Title VI-B	486,226	486,626	400
Title VI-R	88,789	93,577	4,788
FEMA Grant	0	1,901	1,901

In the future, the Treasurer will monitor budgetary transactions to ensure appropriations are accurate and recorded appropriately.

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
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 5 - Budgetary Basis of Accounting (Continued)

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

Changes in Fund Balance	
GAAP Basis	\$1,459,638
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	2,019,622
Accrued FY 2005, Not Yet Received in Cash	(3,019,913)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,867,602)
Accrued FY 2005, Not Yet Paid in Cash	1,928,806
Cash Adjustments	
Unrecorded Activity FY 2004	19
Unrecorded Activity FY 2005	(361)
Prepaid Items	(6,244)
Materials and Supplies Inventory	(6,186)
Advances In	9,000
Advances Out	(8,150)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(266,661)
Budget Basis	\$241,968

Note 6 - Deposits and Investments

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

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

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 6 - Deposits and Investments (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 6 - Deposits and Investments (Continued)

Investments

As of June 30, 2005, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$165,452	7/1/05
STAR Ohio	2,180,209	30.4 days
Total Investments	<u>\$2,345,661</u>	

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

The securities underlying the repurchase agreements (federal agency securities) carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as the underlying securities are uninsured and unregistered. The School District has no investment policy dealing with investment custodial credit risk beyond the requirements of State statute.

The School District places no limit on the amount of its interim monies it may invest in a particular security. At June 30, 2005, 7 percent of the School District's investment portfolio was invested in repurchase agreements.

Note 7 - Receivables

Receivables at June 30, 2005, consisted of accounts (student fees and billings for user charged services), accrued interest, amounts due from external parties, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 7 – Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Delaware/Union County ESC	<u>\$1,701</u>
Other Governmental Funds	
Lunchroom	15,770
Ohio Reads	2,394
Title II-A	<u>10,627</u>
Total Other Governmental Funds	<u>28,791</u>
Total Intergovernmental Receivables	<u>\$30,492</u>

Note 8 - Income Taxes

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

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 9 - Property Taxes (Continued)

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year the settlement was delayed beyond fiscal year end.

The School District receives property taxes from Delaware, Marion, Morrow, and Union Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 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, 2005, 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, 2005, was \$1,613,779, in the General Fund, \$217,084 in the Bond Retirement debt service fund, and \$120,602 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$886,196 in the General Fund, \$130,452 in the Bond Retirement debt service fund, and \$64,794 in the Permanent Improvement capital projects fund.

The late tax settlement made by the Counties for fiscal year 2005 was \$1,084 in the General Fund, \$101 in the Bond Retirement debt service fund, and \$56 in the Permanent Improvement capital projects fund. For fiscal year 2004, these amounts were \$643 in the General Fund, \$67 in the Bond Retirement debt service fund, and \$33 in the Permanent Improvement capital projects fund.

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 9 - Property Taxes (Continued)

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$319,013,290	86.97%	\$340,551,610	88.27%
Industrial and Commercial	14,592,270	3.98	14,231,900	3.69
Public Utility	17,868,000	4.87	18,093,800	4.69
Tangible Personal	15,340,576	4.18	12,924,926	3.35
Total Assessed Value	<u>\$366,814,136</u>	<u>100.00%</u>	<u>\$385,802,236</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.52		\$33.20	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$498,673	\$0	\$0	\$498,673
Depreciable Capital Assets				
Land Improvements	1,110,925	253,900	0	1,364,825
Buildings and Building Improvements	18,686,282	0	0	18,686,282
Furniture, Fixtures, and Equipment	2,180,502	90,304	(2,838)	2,267,968
Vehicles	1,499,947	64,340	(43,905)	1,520,382
Infrastructure	107,812	0	0	107,812
Total Depreciable Capital Assets	<u>23,585,468</u>	<u>408,544</u>	<u>(46,743)</u>	<u>23,947,269</u>

(continued)

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 10 - Capital Assets (Continued)

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Less Accumulated Depreciation				
Land Improvements	(\$138,753)	(\$30,680)	\$0	(\$169,433)
Buildings and Building Improvements	(2,966,639)	(251,557)	0	(3,218,196)
Furniture, Fixtures, and Equipment	(1,341,869)	(129,919)	2,838	(1,468,950)
Vehicles	(1,096,311)	(74,098)	32,929	(1,137,480)
Infrastructure	(62,710)	(2,156)	0	(64,866)
Total Accumulated Depreciation	(5,606,282)	(488,410)	35,767	(6,058,925)
Depreciable Capital Assets, Net	17,979,186	(79,866)	(10,976)	17,888,344
Governmental Activities Capital Assets, Net	\$18,477,859	(\$79,866)	(\$10,976)	\$18,387,017

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$170,314
Special	17,246
Vocational	18,927
Support Services:	
Pupils	9,778
Instructional Staff	23,660
Administration	51,564
Fiscal	1,174
Operation and Maintenance of Plant	44,417
Pupil Transportation	74,512
Non-Instructional Services	18,582
Extracurricular Activities	58,236
Total Depreciation Expense	\$488,410

Note 11 - Interfund Assets/Liabilities

At June 30, 2005, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$8,150, resulting from the provision of cash flow resources until the receipt of grant monies and to subsidize activities of other governmental funds.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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 2005, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

Automobile Liability	\$2,000,000
Uninsured Motorist	1,000,000
Buildings and Contents/Boiler and Machinery	56,636,600
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 2005 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 2005, 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$1,009,735, \$981,073, and \$955,680, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$4,954 made by the School District and \$21,496 made by plan members.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 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, 2005, 2004, and 2003 was \$220,204, \$195,778, and \$174,921, respectively; 47 percent has been contributed for the fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

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, 2005, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$78,053.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$103,090 for fiscal year 2005.

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, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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

B. Health Care Benefits

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Building Bonds					
FY 1996					
Term Bonds 5-6.85%	\$11,470,000	\$0	\$5,050,000	\$6,420,000	\$420,000
Refunding School Building Bonds					
FY 2005					
Serial Bonds 2-4%	0	4,445,008	70,000	4,375,008	55,000
Capital Appreciation Bonds 14.24%	0	204,992	0	204,992	0
Accretion on Capital Appreciation Bonds	0	20,192	0	20,192	0
Premium	0	392,989	5,915	387,074	0
Accounting Loss	0	(299,110)	(4,503)	(294,607)	0
Stadium Construction Loan					
FY 2001 4.841%	258,785	0	126,299	132,486	132,486
Paving Project Loan					
FY 2005 3.650%	0	290,000	51,000	239,000	0
Total General Long-Term Obligations	11,728,785	5,054,071	5,298,711	11,484,145	607,486
Compensated Absences	1,294,977	96,033	62,534	1,328,476	105,458
Capital Leases	129,475	0	41,995	87,480	51,536
Total Governmental Activities Long-Term Obligations	<u>\$13,153,237</u>	<u>\$5,150,104</u>	<u>\$5,403,240</u>	<u>\$12,900,101</u>	<u>\$764,480</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. During fiscal year 2005, principal, in the amount of \$400,000, was retired prior to these bonds being refunded.

FY 2005 Refunding School Building Bonds - On October 1, 2004, the School District issued bonds, in the amount of \$4,650,000, to partially refund bonds previously issued in fiscal year 1996, in the amount of \$4,650,000, for improving and constructing school buildings and facilities. The refunding bond issue included serial and capital appreciation bonds, in the amount of \$4,445,008 and \$204,992, respectively. The bonds were issued for a sixteen year period, with final maturity during fiscal year 2021. The capital appreciation bonds were issued at a premium of \$392,989.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 16 - Long-Term Obligations (Continued)

The net proceeds of the refunding bond issue, in the amount of \$4,949,110, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 1996 School Building Bonds. As a result, \$4,650,000 of the 1996 School Building Bonds are considered to be defeased and the liability for those bonds has been removed from the School District's financial statements. At June 30, 2005, \$4,650,000 of this debt was still outstanding. This amount was fully retired in December 2005.

Although the refunding will result in the recognition of an accounting loss of \$299,110 for the fiscal year ended June 30, 2005, the School District in effect decreased its aggregated debt service payments by \$389,052 over the next sixteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$153,559.

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2014 through 2016. The maturity amount of the bonds is \$1,050,000. For fiscal year 2005, \$20,192 was accreted on the capital appreciation bonds for a total value of \$225,184 at fiscal year end.

FY 2001 Stadium Construction Loan - On May 18, 2001, the School District obtained a loan, in the amount of \$603,376, for the 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.

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

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

The School District's overall debt margin was \$23,878,922 with an unvoted debt margin of \$385,802 at June 30, 2005.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 16 - Long-Term Obligations (Continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2005, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2006	\$55,000	\$420,000	\$0	\$589,465	\$1,064,465
2007	55,000	465,000	0	561,870	1,081,870
2008	55,000	480,000	0	528,198	1,063,198
2009	55,000	510,000	0	492,846	1,057,846
2010	60,000	545,000	0	455,056	1,060,056
2011-2015	250,000	3,215,000	17,454	1,682,287	5,164,741
2016-2020	2,835,000	785,000	187,538	1,418,573	5,226,111
2021	1,010,008	0	0	20,200	1,030,208
	<u>\$4,375,008</u>	<u>\$6,420,000</u>	<u>\$204,992</u>	<u>\$5,748,495</u>	<u>\$16,748,495</u>

Fiscal Year Ending	Stadium Construction Loan		OASBO Expanded Asset Pooled Financing Program	
	Principal	Interest	Principal	Interest
2006	\$132,486	\$4,830	\$0	\$4,087
2007	0	0	57,000	7,199
2008	0	0	59,000	5,215
2009	0	0	60,000	3,181
2010	0	0	63,000	1,077
Totals	<u>\$132,486</u>	<u>\$4,830</u>	<u>\$239,000</u>	<u>\$20,759</u>

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. 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 2005 were \$41,995.

	Governmental Activities
Equipment under Capital Lease	\$225,805
Less Accumulated Depreciation	(150,920)
Total June 30, 2005	<u>\$74,885</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 17 - Capital Leases - Lessee Disclosure (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Year	Governmental Activities	
	Principal	Interest
2006	\$51,536	\$7,641
2007	21,197	2,621
2008	14,747	762
Total	\$87,480	\$11,024

Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$252,761)	\$0
Current Year Set Aside Requirement	313,727	313,727
Current Year Offsets	0	(313,727)
Qualifying Expenditures	(242,714)	0
Balance June 30, 2005	(\$181,748)	\$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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 19 - 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 \$26,603 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 20 - 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 2005, the School District paid \$147,157 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 Boards of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Christopher Bell, Treasurer, 4565 Columbus Pike Road, Delaware, Ohio 43015.

C. Central Ohio Regional Professional Development Center

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 20 - Jointly Governed Organizations (Continued)

D. Central Ohio Special Education Regional Resource Center

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

Note 21 - Insurance Pools

A. Ohio School Plan

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

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

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

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Note 21 - Insurance Pools (Continued)

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

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

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

Note 22 - 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, 2005.

B. Litigation

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

Note 23 - Subsequent Event

On November 21, 2005, the School District obtained a loan, in the amount of \$50,000, for constructing and improving athletic fields. The loan has an interest rate of 3.65 percent and matures in fiscal year 2011.

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**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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	N/A	10.550	\$ -	\$ 35,633	\$ -	\$ 35,633
School Breakfast Program	04755-05PU-2005	10.553	4,166	-	4,166	-
National School Lunch Program	046755-LLP4-2005	10.555	99,344	-	99,344	-
Special Milk Program for Children	046755-02PU-2005	10.556	622	-	622	-
Total Nutrition Cluster:			104,132	35,633	104,132	35,633
TOTAL U.S. DEPARTMENT OF AGRICULTURE:			104,132	35,633	104,132	35,633
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	046755-6BSF-2004	84.027	-	-	35,226	-
	046755-6BSF-2005	84.027	458,902	-	452,417	-
Total Special Education Grants to States			458,902	-	487,643	-
Special Education - Preschool Grant	046755-PGS1-2005	84.173	6,508	-	6,508	-
Total Special Education Cluster:			465,410	-	494,151	-
Title I Grants to Local Educational Agencies	046755-C1S1-2004	84.010	14,182	-	51,267	-
	046755-C1S1-2005	84.010	123,448	-	123,448	-
Total Title I Grants to Local Educational Agencies			137,630	-	174,715	-
Safe and Drug-Free Schools and Communities State Grants	046755-DRS1-2004	84.186	-	-	30	-
	046755-DRS1-2005	84.186	8,437	-	8,443	-
Total Safe and Drug-Free Schools and Communities State Grants			8,437	-	8,473	-
Title V -Innovative Education Program Strategies	046755-C2S1-2004	84.298	-	-	2,522	-
	046755-C2S1-2005	84.298	8,975	-	9,188	-
Total Title V Innovative Education Program Strategies			8,975	-	11,710	-
Technology Literacy Challenge Fund Grant	046755-TJS1-2005	84.318	3,282	-	3,282	-
Improving Teacher Quality State Grants	046755-TRS1-2004	84.367	10,317	-	34,399	-
	046755-TRS1-2005	84.367	52,932	-	52,783	-
Total Improving Teacher Quality State Grants			63,249	-	87,182	-
TOTAL U.S. DEPARTMENT OF EDUCATION:			686,983	-	779,513	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed through Ohio Department of Public Safety:</i>						
Disaster Grants - Public Assistance	FEMA-3198-EM-041 UPSB3	97.036	1,638	-	1,638	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 792,753	\$ 35,633	\$ 885,283	\$ 35,633

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 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.

NOTE 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 non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-002 and 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated April 25, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated April 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

April 25, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005. In a separate letter to the District's management dated April 25, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Betty Montgomery
Auditor of State

April 25, 2006

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.027 and #84.173 – Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

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

Finding Number	2005-001
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Cash Collection Points

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. The legislative authority must adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or the funds cannot be safeguarded, the public official must then deposit the money on the next business day. The District has not adopted this provision to its cash management policy.

Receipts for the West Elementary Yearbook (\$1,934) were held for two months before depositing to the school secretary and subsequently deposited. In addition, one hundred percent of deposits tested for Student Age Child Care (SACC) program (\$239,730) contained payments that were not deposited to the treasurer's office or financial institution on time. This was due to checks being collected and held for periods of one to two weeks in unsecured unattended lock boxes at SACC sites where payments were made, prior to being deposited. The Board has not taken any legislative action to permit the deposit of these monies within three business days, as allowable under this Section. This increases the risk that cash or checks could be lost or stolen.

We recommend the District deposit money collected with the District Treasurer or the designated depository within one business day following receipt. If the Board intends to permit collections to be deposited within three business days, legislation must be enacted with provisions addressing how the money is to be safeguarded until deposit. All funds should be adequately safeguarded and secured following collection until they are deposited with the financial institution.

Finding Number	2005-002
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Student Age Child Care (SACC) Tuition Receipts

The Student Age Child Care (SACC) did not maintain subsidiary ledgers detailing the money owed and received by child and building location. Duplicate receipts were not maintained for tuition payments. Copies of checks or cash were the only records of payments made per student, for which the names of the students were included on the duplicate deposit tickets. Only attendance logs were maintained by the area SACC supervisors, which contained no receipt information. Review or comparisons between attendance and/or enrollment rosters, the respective fees owed by child, and the payments received were performed for only a very limited number of students, which comprised only for a portion of the year with no cumulative information. These weaknesses prevent management from timely detecting any misappropriation of SACC receipts and determining any underpayments and subsequent receivables related to the program.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

Finding Number (Continued)	2005-002
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Student Age Child Care (SACC) Tuition Receipts (continued)

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

We recommend SACC implement procedures to ensure duplicate receipts are issued, the daily reconciliations of receipts to duplicate receipts is performed and reviewed by the Director, the receipts are posted properly, a subsidiary ledger maintained, and the Director periodically compares actual to estimated receipts.

Finding Number	2005-003
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Student Activities

Cash receipts from student activities are often a source of concern for School Districts. Recognizing the risk associated with these cash transactions, the District has established written guidelines, which are distributed to all school buildings. These guidelines require all fund-raising activities conducted in conjunction with various school district funds, including student activity funds, athletic funds, and support funds, be approved by the building principal, superintendent, and the Treasurer prior to the commencement of the activity. All receipts and disbursements relative to the activity must be processed through the Student Activity fund of the District, and a final accounting of the financial activity must be documented on the Sales Potential Form, Report of Fund-Raising Activity Form, and Student Participation Form, otherwise called the Sales Potential Packet.

Board guidelines governing student activities are not being followed on a consistent basis. The Sales Potential Packet forms outlining and approving fund-raising projects were not completed for eighty-five percent (85%) of fund-raisers tested. Furthermore, in forty-five percent (45%) of the fund-raisers selected for testing, no supporting documentation was maintained for receipts recorded and presented in the District's financial records.

We recommend the District ensure current guidelines established to govern student activities are adhered to on a consistent basis and in addition, supporting ledgers, duplicate receipts and other financial records should be maintained by advisors to ensure accountability and assets are safeguarded.

We did not receive a response from Officials to the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**BUCKEYE LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41 (D)(1) – prior certification	No	Not corrected; this finding has been repeated in the current audit management letter based on current year failure rate.
2004-002	Ohio Rev. Code Section 9.38 – Deposit of Public Funds	No	Not corrected; this finding has been repeated in the audit report as Finding #2005-001.
2004-003	Student Age Child Care (SACC) Tuition Receipts	No	Not corrected; this finding has been repeated in the audit report as Finding #2005-002.



**Auditor of State
Betty Montgomery**

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BUCKEYE VALLEY LOCAL SCHOOL DISTRICT

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2006**