



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2006, 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, the major fund, and the aggregate remaining fund information of Buckeye Valley Local School District, Delaware County, Ohio, as of June 30, 2006, 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 20, 2007, 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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We conducted our audit to opine 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 20, 2007

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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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, 2006. 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 2006 were as follows:

In total, net assets increased \$2,639,498, almost 28 percent, a significant increase in net assets for the second year in a row (there was a 24 percent increase in net assets in fiscal year 2005). This is a great improvement as net assets decreased in both fiscal years 2004 and 2003. The increase in net assets can again be attributed to an increase in property tax and income tax revenues. The increase in property tax revenues was due to calendar year 2005 being a reappraisal year for Delaware and Morrow Counties, by far the largest counties of the School District, and resulted in an increase of almost \$72,000,000 in property values, or about 18.5 percent. The reappraisal affects property tax collections for the second half of fiscal year 2006 and the first half of fiscal year 2007. Since the School District is currently at the twenty-mill floor, the increased values from the reappraisal will result in increased tax revenue realized by the School District. The 1 percent continuing income tax also increased in its collections by \$632,000 for fiscal year 2006. This was partly due to increased delinquencies being collected from previous years (taxpayers of the School District not previously identified by the Department of Taxation) and also partly due to increased incomes and new residents. The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust had a premium holiday for the month of June 2006 due to a high reserve balance. The School District continues to watch expenses very carefully after significant cuts were made three years ago. Some previously cut positions have been restored, but not all of them.

General revenues were \$20,519,699 for fiscal year 2006, 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 looks very healthy. Each year shows positive balances and carryover cash balances. This is a major improvement from three years ago when the forecast showed deficit balances in upcoming years. The financial outlook has been dramatically improved due to cuts that were made at that time as well as increases in revenues from property taxes and income taxes.

The Board of Education has recently voted to put a \$17,500,000 bond issue up for vote at the May 8, 2007, election. This is for renovating, improving, and constructing additions to school facilities, including the high school and elementary schools. This decision has come as the result of several meetings of the facilities committee in recent months. These meetings were open to the public.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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**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 2006. 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, 2006  
UNAUDITED  
(Continued)**

Governmental Funds - All 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 2006 and fiscal year 2005:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$15,772,095	\$12,988,998
Capital Assets, Net	18,557,766	18,387,017
Total Assets	34,329,861	31,376,015
<u>Liabilities:</u>		
Current and Other Liabilities	9,543,491	8,922,249
Long-Term Liabilities	12,593,207	12,900,101
Total Liabilities	22,136,698	21,822,350
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	7,987,340	7,315,123
Restricted	1,012,362	527,399
Unrestricted	3,193,461	1,711,143
Total Net Assets	\$12,193,163	\$9,553,665

The above table demonstrates a significant increase in current and other assets. Cash and cash equivalents increased over \$938,000, primarily the result of increased property tax and income tax revenues. In addition, there were sizable increases in property tax and income tax receivables, over \$1,500,000 and \$232,000, respectively. The property tax increase is due to the 2005 property appraisal in Delaware and Morrow Counties, which increased the valuation by approximately \$72,000,000. The income tax increase is due to delinquent collections, higher income of residents, and new residents. These increases are also reflected in the increases in both restricted and unrestricted net assets.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 and fiscal year 2005.

Table 2  
Change in Net Assets

	Governmental Activities	
	2006	2005
<u>Revenues:</u>		
Program Revenues		
Charges for Services	\$1,644,338	\$1,538,480
Operating Grants, Contributions, and Interest	1,247,759	1,270,562
Capital Grants, Contributions, and Interest	47,179	64,887
Total Program Revenues	<u>2,939,276</u>	<u>2,873,929</u>
General Revenues		
Property Taxes Levied for General Purposes	8,554,025	7,804,771
Property Taxes Levied for Debt Service	1,045,615	1,051,548
Property Taxes Levied for Permanent Improvements	622,816	565,321
Income Taxes Levied for General Purposes	4,085,182	3,433,097
Grants and Entitlements	5,792,011	5,667,174
Interest	190,373	93,230
Gifts and Donations	4,820	2,998
Miscellaneous	224,857	162,567
Total General Revenues	<u>20,519,699</u>	<u>18,780,706</u>
Total Revenues	<u>23,458,975</u>	<u>21,654,635</u>
<u>Expenses:</u>		
Instruction:		
Regular	\$9,404,281	\$8,698,662
Special	1,575,381	1,537,517
Vocational	347,889	430,111
Support Services:		
Pupils	1,762,853	1,645,205
Instructional Staff	506,034	453,754
Board of Education	138,997	144,785
Administration	1,555,601	1,599,071
Fiscal	495,130	467,131
Operation and Maintenance of Plant	1,940,551	1,673,193
Pupil Transportation	1,286,517	1,379,102
Central	34,960	2,185
Non-Instructional Services	\$641,890	\$718,427
Extracurricular Activities	471,735	413,327
Interest and Fiscal Charges	657,658	598,059
Total Expenses	<u>20,819,477</u>	<u>19,760,529</u>
Increase (Decrease) in Net Assets	2,639,498	1,894,106
Net Assets Beginning of Year	9,553,665	7,659,559
Net Assets End of Year	<u>\$12,193,163</u>	<u>\$9,553,665</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

While program revenues increased slightly, they remained very comparable to the prior fiscal year. The overall increase in general revenues of just over 9 percent is almost entirely due to additional property taxes and income taxes as described previously.

As can be seen above, expenses remained very comparable to fiscal year 2005 with only a modest 5 percent increase. The most notable increases were in the regular instruction and operation and maintenance programs. Regular instruction cost increases reflect salary and step increases as well as the addition of a teacher at West Elementary. Operation and maintenances cost increases reflect the addition of one maintenance position as well as an increase in custodian hours at the elementary buildings. These hours had been reduced in prior years due to budget constraints.

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	
	2006	2005	2006	2005
Instruction:				
Regular	\$9,404,281	\$8,698,662	\$8,652,540	\$7,875,201
Special	1,575,381	1,537,517	692,521	676,757
Vocational	347,889	430,111	243,523	328,208
Support Services:				
Pupils	1,762,853	1,645,205	1,742,361	1,623,126
Instructional Staff	506,034	453,754	506,034	453,754
Board of Education	138,997	144,785	138,997	144,785
Administration	1,555,601	1,599,071	1,555,601	1,599,071
Fiscal	495,130	467,131	495,130	467,131
Operation and Maintenance of Plant	1,940,551	1,673,193	1,909,712	1,655,678
Pupil Transportation	1,286,517	1,379,102	1,262,964	1,342,344
Central	34,960	2,185	34,960	2,185
Non-Instructional Services	641,890	718,427	(275,228)	(189,691)
Extracurricular Activities	471,735	413,327	263,428	309,992
Interest and Fiscal Charges	657,658	598,059	657,658	598,059
Total Expenses	<u>\$20,819,477</u>	<u>\$19,760,529</u>	<u>\$17,880,201</u>	<u>\$16,886,600</u>

Since the School District receives very little in the way of program revenues (just 13 percent of total revenues) 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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One of the programs which did receive substantial program revenues in fiscal year 2006 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 2006. 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, 44 percent of extracurricular activities expenses are covered by program revenues. This is primarily music and athletic fees, ticket sales, and gate receipts.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's only major fund is the General Fund. For the General Fund, fund balance increased over 67 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 2006, the School District amended its General Fund budget as needed. For revenues, the changes from original budget to final budget and from the final budget to actual revenues are primarily related to changes in property taxes and the related State reimbursements, and income taxes. As discussed earlier, this was the result of property reappraisals, improved collections, increased wages, and additional residents.

For expenditures, the primary changes from original to final budget were for regular instruction, operation and maintenance of plant, and pupil transportation expenditures. These increases were primarily due to staff additions and the purchase of textbooks and buses from the General Fund. In prior years, textbooks and buses were purchased from other governmental funds. The change from the final budget to actual expenditures was not significant, less than 2 percent.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the School District had \$18,557,766 invested in capital assets (net of accumulated depreciation), an increase of \$170,749, less than 1 percent. The School District's additions for the fiscal year were offset by depreciation expense and disposals, therefore, little change. However, additions for the fiscal year consisted of routine computer equipment, copiers, five buses, and storm sewer improvements at East Elementary. In addition, construction began on the football field lighting at the High School Stadium. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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Debt

At June 30, 2006, the School District had outstanding general obligation bonds, in the amount of \$10,669,757, and a paving project loan, in the amount of \$232,000. The School District also had several outstanding capital leases for equipment, in the amount of \$195,850. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**Current Issues**

A Strategic Planning Committee, made up of board members, administrators, staff, and community members has been meeting regularly 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.

While all committees have met regularly, the Facilities Committee has met quite often in the past few months with the meetings being open to the public. At the December 19, 2006, regular board meeting, the Board of Education voted to put a \$17,500,000 bond issue on the ballot at the May 8, 2007, ballot. The purpose is for renovating, improving, and constructing additions to the high school and the three elementary schools. Architects have been working with the School District to present various plans. The high school renovation is the main project to be supported by the bond issue if it should pass. The School District has been seriously studying the enrollment figures, possible housing growth, and trying to plan for the future with regards to the elementary schools. Because the School District is quite spread out and covers 196 square miles, transportation becomes an issue in deciding where students are to go for elementary school. Enrollment projections remain surprisingly flat, even though the School District is in Delaware County, supposedly one of the fastest growing counties in the state right now. Enrollment over the past ten years has not grown significantly. The Board of Education and the Facilities Committee feel that until more information about possible growth is known, or until the student numbers start to increase, decisions regarding the elementary school buildings or serious renovations should wait. Updates to the elementary schools from this bond issue would be just in the areas of roofing, paving, and security updates.

**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.

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**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,111,248
Accounts Receivable	39,186
Accrued Interest Receivable	10,517
Intergovernmental Receivable	104,709
Income Taxes Receivable	1,843,254
Prepaid Items	18,166
Inventory Held for Resale	3,520
Materials and Supplies Inventory	34,634
Property Taxes Receivable	10,515,506
Unamortized Issuance Costs	91,355
Nondepreciable Capital Assets	597,979
Depreciable Capital Assets, Net	<u>17,959,787</u>
Total Assets	<u>34,329,861</u>
 <u>Liabilities:</u>	
Accounts Payable	187,942
Contracts Payable	96,529
Accrued Wages and Benefits Payable	1,483,914
Matured Compensated Absences Payable	13,878
Intergovernmental Payable	499,997
Retainage Payable	9,648
Accrued Interest Payable	48,201
Deferred Revenue	7,203,382
Long-Term Liabilities:	
Due Within One Year	695,602
Due in More Than One Year	<u>11,897,605</u>
Total Liabilities	<u>22,136,698</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	7,987,340
Restricted For:	
Debt Service	244,211
Capital Projects	542,646
School Farm	60,233
Early Childhood Care	84,587
Other Purposes	80,685
Unrestricted	<u>3,193,461</u>
Total Net Assets	<u><u>\$12,193,163</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, 2006**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$9,404,281	\$622,426	\$129,315	\$0	(\$8,652,540)
Special	1,575,381	0	882,860	0	(692,521)
Vocational	347,889	55,256	49,110	0	(243,523)
Support Services:					
Pupils	1,762,853	0	20,492	0	(1,742,361)
Instructional Staff	506,034	0	0	0	(506,034)
Board of Education	138,997	0	0	0	(138,997)
Administration	1,555,601	0	0	0	(1,555,601)
Fiscal	495,130	0	0	0	(495,130)
Operation and Maintenance of Plant	1,940,551	0	0	30,839	(1,909,712)
Pupil Transportation	1,286,517	0	8,716	14,837	(1,262,964)
Central	34,960	0	0	0	(34,960)
Non-Instructional Services	641,890	778,933	138,185	0	275,228
Extracurricular Activities	471,735	187,723	19,081	1,503	(263,428)
Interest and Fiscal Charges	657,658	0	0	0	(657,658)
<b>Total Governmental Activities</b>	<b>\$20,819,477</b>	<b>\$1,644,338</b>	<b>\$1,247,759</b>	<b>\$47,179</b>	<b>(17,880,201)</b>

General Revenues:

Property Taxes Levied for General Purposes	8,554,025
Property Taxes Levied for Debt Service	1,045,615
Property Taxes Levied for Permanent Improvements	622,816
Income Taxes Levied for General Purposes	4,085,182
Grants and Entitlements not Restricted to Specific Programs	5,792,011
Interest	190,373
Gifts and Donations	4,820
Miscellaneous	224,857
<b>Total General Revenues</b>	<b>20,519,699</b>

Change in Net Assets 2,639,498

Net Assets at Beginning of Year 9,553,665

Net Assets at End of Year \$12,193,163

See Accompanying Notes to the Basic Financial Statements



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,070,411	\$1,040,837	\$3,111,248
Accounts Receivable	21,129	18,057	39,186
Accrued Interest Receivable	10,517	0	10,517
Interfund Receivable	11,820	0	11,820
Intergovernmental Receivable	26,132	78,577	104,709
Income Taxes Receivable	1,843,254	0	1,843,254
Prepaid Items	18,166	0	18,166
Inventory Held for Resale	0	3,520	3,520
Materials and Supplies Inventory	34,250	384	34,634
Property Taxes Receivable	8,815,672	1,699,834	10,515,506
Total Assets	\$12,851,351	\$2,841,209	\$15,692,560
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$162,912	\$25,030	\$187,942
Contracts Payable	0	96,529	96,529
Accrued Wages and Benefits Payable	1,428,878	55,036	1,483,914
Matured Compensated Absences Payable	13,878	0	13,878
Interfund Payable	0	11,820	11,820
Intergovernmental Payable	458,574	41,423	499,997
Retainage Payable	0	9,648	9,648
Deferred Revenue	6,570,779	1,276,016	7,846,795
Total Liabilities	8,635,021	1,515,502	10,150,523
<u>Fund Balances:</u>			
Reserved for Property Taxes	2,521,441	491,988	3,013,429
Reserved for Encumbrances	282,956	235,413	518,369
Unreserved Reported in:			
General Fund	1,411,933	0	1,411,933
Special Revenue Funds	0	190,694	190,694
Debt Service Fund	0	332,604	332,604
Capital Projects Funds	0	75,008	75,008
Total Fund Balances	4,216,330	1,325,707	5,542,037
Total Liabilities and Fund Balances	\$12,851,351	\$2,841,209	\$15,692,560

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, 2006**

Total Governmental Fund Balances		\$5,542,037
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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.		18,557,766
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Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		91,355
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	17,046	
Intergovernmental Receivable	77,353	
Income Taxes Receivable	244,475	
Property Taxes Receivable	304,539	
		643,413

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

Accrued Interest Payable	(48,201)	
General Obligation Bonds Payable	(10,669,757)	
Paving Project Loan Payable	(232,000)	
Compensated Absences Payable	(1,495,600)	
Capital Leases Payable	(195,850)	
		(12,641,408)

Net Assets of Governmental Activities		\$12,193,163
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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, 2006**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$8,621,996	\$1,676,969	\$10,298,965
Income Taxes	4,054,966	0	4,054,966
Intergovernmental	5,896,488	1,105,158	7,001,646
Interest	172,023	36,231	208,254
Tuition and Fees	563,401	369,800	933,201
Extracurricular Activities	26,713	164,815	191,528
Charges for Services	0	493,181	493,181
Gifts and Donations	1,420	29,784	31,204
Miscellaneous	172,361	56,688	229,049
Total Revenues	19,509,368	3,932,626	23,441,994
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	8,959,398	285,630	9,245,028
Special	1,395,289	147,469	1,542,758
Vocational	313,354	42,098	355,452
Support Services:			
Pupils	1,245,919	494,756	1,740,675
Instructional Staff	341,138	136,579	477,717
Board of Education	138,997	0	138,997
Administration	1,448,872	19,846	1,468,718
Fiscal	463,746	25,530	489,276
Operation and Maintenance of Plant	1,798,054	191,013	1,989,067
Pupil Transportation	1,507,821	28,642	1,536,463
Central	27,401	7,559	34,960
Non-Instructional Services	1,297	627,255	628,552
Extracurricular Activities	254,715	158,784	413,499
Capital Outlay	0	104,282	104,282
Debt Service:			
Principal Retirement	84,216	614,486	698,702
Interest and Fiscal Charges	25,219	601,782	627,001
Total Expenditures	18,005,436	3,485,711	21,491,147
Excess of Revenues Over Expenditures	1,503,932	446,915	1,950,847
<u>Other Financing Sources:</u>			
Inception of Capital Lease	192,586	0	192,586
Changes in Fund Balances	1,696,518	446,915	2,143,433
Fund Balances at Beginning of Year	2,519,812	878,792	3,398,604
Fund Balances at End of Year	\$4,216,330	\$1,325,707	\$5,542,037

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, 2006**

Changes in Fund Balances - Total Governmental Funds \$2,143,433

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 capital outlay exceeded depreciation in the current year:

Capital Outlay - Nondepreciable Capital Assets	99,306	
Capital Outlay - Depreciable Capital Assets	589,007	
Depreciation	<u>(477,512)</u>	
		210,801

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (40,052)

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

Property Taxes	(76,509)	
Income Taxes	30,216	
Intergovernmental	38,247	
Tuition and Fees	<u>25,027</u>	
		16,981

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	475,000	
Stadium Construction Loan Payable	132,486	
Paving Project Loan Payable	7,000	
Capital Leases Payable	<u>84,216</u>	
		698,702

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.

Amortization of Accounting Loss		(3,538)
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(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, 2006  
(continued)**

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	2,551	
Annual Accretion on Capital Appreciation Bonds	(33,208)	
Amortization of Premium	<u>4,648</u>	
		(\$26,009)

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.

Amortization of Issuance Costs		(1,110)
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The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets.

(192,586)

Compensated absences 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.

(167,124)

Change in Net Assets of Governmental Activities

\$2,639,498

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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<b>Revenues:</b>				
Property Taxes	\$7,136,097	\$7,797,657	\$7,714,365	(\$83,292)
Income Taxes	3,332,062	3,366,900	3,853,214	486,314
Intergovernmental	5,543,607	5,490,806	5,896,488	405,682
Interest	110,000	155,000	167,365	12,365
Tuition and Fees	643,568	560,929	562,992	2,063
Extracurricular Activities	29,500	26,741	26,749	8
Gifts and Donations	0	1,420	1,420	0
Miscellaneous	81,300	41,428	42,567	1,139
<b>Total Revenues</b>	<b>16,876,134</b>	<b>17,440,881</b>	<b>18,265,160</b>	<b>824,279</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,519,249	8,908,875	8,855,753	53,122
Special	1,444,322	1,424,214	1,389,322	34,892
Vocational	330,876	333,552	322,236	11,316
Other	4,000	2,000	1,130	870
<b>Support Services:</b>				
Pupils	1,230,137	1,269,748	1,263,303	6,445
Instructional Staff	421,399	430,367	403,552	26,815
Board of Education	157,250	160,139	158,494	1,645
Administration	1,521,561	1,512,633	1,475,364	37,269
Fiscal	461,702	483,502	464,780	18,722
Operation and Maintenance of Plant	1,720,048	1,916,450	1,885,328	31,122
Pupil Transportation	1,333,751	1,631,292	1,565,697	65,595
Central	30,000	26,700	26,618	82
Non-Instructional Services	836	1,533	1,148	385
Extracurricular Activities	300,036	274,920	255,082	19,838
<b>Total Expenditures</b>	<b>17,475,167</b>	<b>18,375,925</b>	<b>18,067,807</b>	<b>308,118</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(599,033)</b>	<b>(935,044)</b>	<b>197,353</b>	<b>1,132,397</b>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	10,000	117,000	117,990	990
Refund of Prior Year Receipts	0	(30,745)	(30,745)	0
Advances In	9,198	3,698	3,698	0
Advances Out	0	0	(6,320)	(6,320)
<b>Total Other Financing Sources (Uses)</b>	<b>19,198</b>	<b>89,953</b>	<b>84,623</b>	<b>(5,330)</b>
<b>Changes in Fund Balance</b>	<b>(579,835)</b>	<b>(845,091)</b>	<b>281,976</b>	<b>1,127,067</b>
Fund Balance at Beginning of Year	1,099,199	1,099,199	1,099,199	0
Prior Year Encumbrances Appropriated	266,661	266,661	266,661	0
<b>Fund Balance at End of Year</b>	<b>\$786,025</b>	<b>\$520,769</b>	<b>\$1,647,836</b>	<b>\$1,127,067</b>

See Accompanying Notes to the Basic Financial Statements

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$53,002	\$107,772
<u>Liabilities:</u>		
Undistributed Assets	0	\$10,848
Due to Students	0	96,924
Total Liabilities	0	\$107,772
<u>Net Assets:</u>		
Held in Trust for Scholarships	28,002	
Endowments	25,000	
Total Net Assets	\$53,002	

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, 2006

<u>Additions:</u>	
Interest	\$2,499
<u>Deductions:</u>	
Non-Instructional Services	<u>1,100</u>
Change in Net Assets	1,399
Net Assets at Beginning of Year	<u>51,603</u>
Net Assets at End of Year	<u><u>\$53,002</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, 2006**

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**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 four 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 232nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred eleven classified employees, one hundred seventy-one certified teaching personnel, and eleven administrative employees who provide services to 2,329 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 five 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, Metropolitan Educational Council, 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, 2006  
(Continued)**

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**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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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, 2006  
(Continued)**

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**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-related and student-managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

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

**Deferred Revenues**

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

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 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, 2006  
(Continued)**

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**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 appropriations 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 appropriations 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 2006, 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, 2006.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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 2006 was \$172,023, which includes \$19,851 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, 2006, 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. 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.

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

<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

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. 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.

**K. 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.

**L. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. 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. As of June 30, 2006, there were no net assets restricted by enabling legislation.

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.

**N. 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.

**O. 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.

**P. 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.

**Q. 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.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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**Note 3 - Change in Accounting Principle**

For fiscal year 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". This statement establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the School District's financial statements.

**Note 4 - Accountability**

At June 30, 2006, the Title I and Title VI-R special revenue funds had deficit fund balances, in the amount of \$222, and \$3,699, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(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	\$1,696,518
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	3,018,865
Accrued FY 2006, Not Yet Received in Cash	(4,145,925)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(1,929,072)
Accrued FY 2006, Not Yet Paid in Cash	2,064,242
Cash Adjustments	
Unrecorded Activity FY 2005	361
Unrecorded Activity FY 2006	(567)
Prepaid Items	3,749
Materials and Supplies Inventory	(1,565)
Advances In	3,698
Advances Out	(6,320)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(422,008)
Budget Basis	\$281,976

**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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 6 - Deposits and Investments** (continued)

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

**Investments**

As of June 30, 2006, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$65,671	7/3/06
STAR Ohio	3,225,343	34.8 days average
Total Investments	<u>\$3,291,014</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 any securities other than those 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 maturity of repurchase agreements must not exceed thirty days.

The securities underlying the repurchase agreements (federal agency securities) carry a rating of AAA by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with 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, unregistered, and not held in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which require securities subject to the repurchase agreement to exceed the principal value of the agreement by at least 2 percent, be marked to market daily.

The School District places no limit on the amount of its interim monies it may invest in a particular security. At June 30, 2006, 2 percent of the School District's investment portfolio was invested in repurchase agreements.

**Note 7 - Receivables**

Receivables at June 30, 2006, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**Note 7 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Southwestern CSD	\$47
Delaware CSD	26,085
Total General Fund	<u>26,132</u>
Other Governmental Funds	
Lunchroom	18,076
Title I	5,689
Title II-A	3,766
Permanent Improvement	51,046
Total Other Governmental Funds	<u>78,577</u>
Total Intergovernmental Receivables	<u>\$104,709</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 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 9 - Property Taxes** (continued)

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. 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; however, this settlement was not received by the School District within fiscal year 2006.

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, 2006, are available to finance fiscal year 2006 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, 2006, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late property tax settlement and 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, 2006, was \$2,521,441, in the General Fund, \$306,565 in the Bond Retirement debt service fund, and \$185,423 in the Permanent Improvement capital projects fund. 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 late tax settlement made by the counties for fiscal year 2006 was \$1,053 in the General Fund, \$90 in the Bond Retirement debt service fund, and \$54 in the Permanent Improvement capital projects fund. For fiscal year 2005, these amounts were \$1,084 in the General Fund, \$101 in the Bond Retirement debt service fund, and \$56 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, 2006  
(Continued)**

**Note 9 - Property Taxes** (continued)

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$340,551,610	88.27%	\$416,948,260	91.14%
Industrial and Commercial	14,231,900	3.69	16,053,060	3.51
Public Utility	18,093,800	4.69	15,493,950	3.38
Tangible Personal	12,924,926	3.35	9,001,736	1.97
Total Assessed Value	<u>\$385,802,236</u>	<u>100.00%</u>	<u>\$457,497,006</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.20		\$32.98	

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$498,673	\$0	\$0	\$498,673
Construction in Progress	0	99,306	0	99,306
Total Nondepreciable Capital Assets	<u>498,673</u>	<u>99,306</u>	<u>0</u>	<u>597,979</u>
Depreciable Capital Assets				
Land Improvements	1,364,825	0	0	1,364,825
Buildings and Building Improvements	18,686,282	0	0	18,686,282
Furniture, Fixtures, and Equipment	2,267,968	216,211	(162,390)	2,321,789
Vehicles	1,520,382	325,940	(81,621)	1,764,701
Infrastructure	107,812	46,856	0	154,668
Total Depreciable Capital Assets	<u>23,947,269</u>	<u>589,007</u>	<u>(244,011)</u>	<u>24,292,265</u>

(continued)

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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**Note 10 - Capital Assets** (continued)

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Less Accumulated Depreciation				
Land Improvements	(\$169,433)	(\$34,911)	\$0	(\$204,344)
Buildings and Building Improvements	(3,218,196)	(251,369)	0	(3,469,565)
Furniture, Fixtures, and Equipment	(1,468,950)	(116,392)	124,498	(1,460,844)
Vehicles	(1,137,480)	(72,605)	79,461	(1,130,624)
Infrastructure	(64,866)	(2,235)	0	(67,101)
Total Accumulated Depreciation	<u>(6,058,925)</u>	<u>(477,512)</u>	<u>203,959</u>	<u>(6,332,478)</u>
Depreciable Capital Assets, Net	<u>17,888,344</u>	<u>111,495</u>	<u>(40,052)</u>	<u>17,959,787</u>
Governmental Activities Capital Assets, Net	<u>\$18,387,017</u>	<u>\$210,801</u>	<u>(\$40,052)</u>	<u>\$18,557,766</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$214,899
Special	17,240
Vocational	8,379
Support Services:	
Pupils	9,772
Instructional Staff	23,358
Administration	5,159
Fiscal	1,174
Operation and Maintenance of Plant	51,464
Pupil Transportation	69,266
Non-Instructional Services	18,565
Extracurricular Activities	58,236
Total Depreciation Expense	<u><u>\$477,512</u></u>

**Note 11 - Interfund Assets/Liabilities**

At June 30, 2006, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$11,820, resulting from the provision of cash flow resources until the receipt of grant monies and for services provided.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2006, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Automobile Liability	\$2,000,000
Uninsured Motorist	1,000,000
Buildings and Contents/Boiler and Machinery	61,240,298
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 2006 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 2006, 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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, 2006, 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, 2006, 2005, and 2004 was \$1,024,005, \$1,009,735, and \$981,073, respectively; 82 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$18,946 made by the School District and \$38,310 made by plan members.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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, 2006, 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 2006 was 14 percent of annual covered payroll; 10.58 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, 2006, 2005, and 2004 was \$241,407, \$220,204, and \$195,778, respectively; 44 percent has been contributed for the fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**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, 2006, four 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 2006, 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 \$80,227.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$112,400 for fiscal year 2006.

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, 2006, were \$158,751,207. 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, 2006 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. 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 59,492 participants currently receiving health care benefits.

**Note 15 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**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, 2006  
(Continued)**

**Note 16 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Building Bonds					
FY 1996					
Term Bonds 5-6.85%	\$6,420,000	\$0	\$420,000	\$6,000,000	\$465,000
Refunding School Building					
Bonds					
FY 2005					
Serial Bonds 2-4%	4,375,008	0	55,000	4,320,008	55,000
Capital Appreciation Bonds	204,992		0	204,992	0
14.24%					
Accretion on Capital					0
Appreciation Bonds	20,192	33,208	0	53,400	
Premium	387,074	0	4,648	382,426	0
Accounting Loss	(294,607)	0	(3,538)	(291,069)	0
Stadium Construction Loan					
FY 2001 4.841%	132,486	0	132,486	0	0
Paving Project Loan					
FY 2005 3.650%	239,000	0	7,000	232,000	59,000
<b>Total General Long-Term</b>					
<b>Obligations</b>	11,484,145	33,208	615,596	10,901,757	579,000
Compensated Absences	1,328,476	261,344	94,220	1,495,600	72,691
Capital Leases	87,480	192,586	84,216	195,850	43,911
<b>Total Governmental Activities</b>					
<b>Long-Term Obligations</b>	<b>\$12,900,101</b>	<b>\$487,138</b>	<b>\$794,032</b>	<b>\$12,593,207</b>	<b>\$695,602</b>

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

FY 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.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 16 - Long-Term Obligations** (continued)

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 2006, \$33,208 was accreted on the capital appreciation bonds for a total value of \$258,392 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 had an interest rate of 4.841 percent. The loan was fully retired in fiscal year 2006 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 \$28,232,829 with an unvoted debt margin of \$433,220 at June 30, 2006.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2006, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Term	Serial	Capital Appreciation	Interest	Total
2007	\$465,000	\$55,000	\$0	\$561,870	\$1,081,870
2008	480,000	55,000	0	528,198	1,063,198
2009	510,000	55,000	0	492,846	1,057,846
2010	545,000	60,000	0	455,056	1,060,056
2011	560,000	60,000	0	415,335	1,035,335
2012-2016	3,440,000	190,000	17,454	1,501,517	5,148,971
2021	0	3,845,008	187,538	1,204,208	5,236,754
	<u>\$6,000,000</u>	<u>\$4,320,008</u>	<u>\$204,992</u>	<u>\$5,159,030</u>	<u>\$15,684,030</u>

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 16 - Long-Term Obligations** (continued)

Fiscal Year Ending	Paving Project Loan	
	Principal	Interest
2007	\$0	\$4,349
2008	59,000	7,644
2009	60,000	5,520
2010	63,000	3,414
2011	50,000	1,145
Totals	\$232,000	\$22,072

**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 2006 were \$44,558. During fiscal year 2006, a capital lease was terminated which resulted in a reduction in the capital lease liability of \$39,658.

	Governmental Activities
Equipment under Capital Lease	\$256,001
Less Accumulated Depreciation	(74,414)
Total June 30, 2006	\$181,587

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, 2006.

Year	Governmental Activities	
	Principal	Interest
2007	\$43,911	\$22,718
2008	49,792	16,837
2009	39,972	11,148
2010	45,594	5,526
2011	16,581	459
Total	\$195,850	\$56,688

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	(\$181,748)	\$0
Current Year Set Aside Requirement	315,245	315,245
Current Year Offsets	0	(315,245)
Qualifying Expenditures	(341,406)	0
Balance June 30, 2006	(\$207,909)	\$0

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

**Note 19 - 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 \$28,002 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 2006, the School District paid \$138,609 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.



**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 20 - Jointly Governed Organizations** (continued)

**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 the Delaware Joint Vocational School, 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 the Southwestern City School District, 2975 Kingston Avenue, Grove City, Ohio 43123.

**D. Central Ohio Special Education Regional Resource Center**

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

**E. Metropolitan Educational Council**

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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.

**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 the North Union Local School District, 12920 State Route 739, Richwood, Ohio, 43344.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**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, 2006.

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$3,947 per year. A portion of the refund may be recovered from additional State entitlement payments.

The School District is involved in no material litigation as either plaintiff or defendant.

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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, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	046755-05PU-2005	10.553	\$ 2,047	\$ -	\$ 2,047	\$ -
	046755-05PU-2006	10.553	6,531	-	6,531	-
Total School Breakfast Program			8,578	-	8,578	-
National School Lunch Program	046755-LLP4-2005	10.555	26,369	-	26,369	-
	046755-LLP4-2006	10.555	84,813	-	84,813	-
Total National School Lunch Program			111,182	-	111,182	-
Special Milk Program for Children	046755-02PU-2005	10.556	177	-	177	-
	046755-02PU-2006	10.556	1,147	-	1,147	-
Total Milk Program for Children			1,324	-	1,324	-
Total Child Nutrition Cluster			121,084	-	121,084	-
Food Donation	N/A	10.550	-	28,621	-	28,621
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>121,084</b>	<b>28,621</b>	<b>121,084</b>	<b>28,621</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	046755-6BPB-2004-P	84.027	(1,959)	-	-	-
	046755-6BSF-2005	84.027	-	-	6,485	-
	046755-6BSF-2006	84.027	509,268	-	503,942	-
Total Special Education Grants to States			507,309	-	510,427	-
Special Education - Preschool Grant	046755-PGS1-2006	84.173	6,521	-	6,521	-
Total Special Education Cluster			513,830	-	516,948	-
Title I Grants to Local Educational Agencies	046755-C1S1-2006	84.010	89,241	-	90,972	-
Safe and Drug-Free Schools and Communities State Grants	046755-DRS1-2006	84.186	7,333	-	7,333	-
State Grants for Innovative Programs	046755-C2S1-2006	84.298	6,209	-	6,209	-
Education Technology State Grants	046755-TJS1-2006	84.318	1,978	-	1,978	-
Improving Teacher Quality State Grants	046755-TRS1-2005	84.367	(16,884)	-	(6,107)	-
	046755-TRS1-2006	84.367	111,558	-	113,476	-
Total Improving Teacher Quality State Grants			94,674	-	107,369	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>713,265</b>	<b>-</b>	<b>730,809</b>	<b>-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 834,349</b>	<b>\$ 28,621</b>	<b>\$ 851,893</b>	<b>\$ 28,621</b>

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, 2006**

**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**

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

**NOTE C – FOOD DONATION PROGRAM**

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.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the 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, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2007. 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 and questioned costs as items 2006-002 and 2006-003.

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 20, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 and questioned costs as item 2006-001. In a separate letter to the District's management dated April 20, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 20, 2007





# Mary Taylor, CPA

Auditor of State

## 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, 2006. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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, Buckeye Valley Local School District, Delaware County, Ohio, 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, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A.133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2006-004. In a separate letter to the District's management dated April 20, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we have reported to the District's management in a separate letter dated April 20, 2007.

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.



**Mary Taylor, CPA**  
Auditor of State

April 20, 2007

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.027 and #84.173 – Special Education Cluster  CFDA #84.367 – Improving Teacher Quality State Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Cash Collection Points**

Ohio Rev. Code Section 9.38 requires public money to 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.

Fifty-three percent of DECA store sales receipts tested were not deposited to the treasurer's office or financial institution on time. In addition, eighty-eight percent of the bank deposits tested for the School Age Child Care (SACC) program 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 for up to thirty-six days 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.

**Officials' Response:**

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

<b>Finding Number</b>	<b>2006-002</b>
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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. In addition, 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 the student, and the payments received were performed for a very limited number of students, which comprised 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 AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number (Continued)</b>	<b>2006-002</b>
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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 student should be recorded in the subsidiary ledger by student 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 student 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 issued is performed and reviewed by the Director, the receipts are posted accurately, a subsidiary ledger maintained, and the Director periodically compare actual to estimated receipts.

**Officials' Response:**

The SACC Director has hired a new person to perform recording duties on a computer.

<b>Finding Number</b>	<b>2006-003</b>
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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. For forty-five percent (45%) of fund raisers selected for testing inadequate 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.

**Officials' Response:**

This issue has been discussed at an administrator's meeting and updated forms were distributed.

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	<b>2006-004</b>
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<b>CFDA Title and Number</b>	<b>Improving Teacher Quality, #84.367</b>
<b>Federal Award Number / Year</b>	<b>046755 TRS1-2006</b>
<b>Federal Agency</b>	<b>U.S. Department of Education</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Education</b>

**Allowable Cost/Cost Principles – Improving Teacher Quality -Noncompliance Finding and Questioned Cost**

2 CFR Part 225 Appendix B subsection 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, a distribution of compensation shall be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

The District was unable to provide personnel activity reports/certification as required by 2 CFR Part 225 Appendix B, paragraph 8.h3 for the Improving Teacher Quality grant, for the payroll expenditures of the Gifted Coordinator for \$17,567.

Questioned costs for expenditures that were not properly supported by a time and effort certification or any supporting time and effort documentation are seventeen thousand five hundred sixty-seven dollars (\$17,567) of the District's \$107,369 spent on the Improving Teacher Quality program during 2006.

We recommend the District maintain personnel activity reports that reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, and contain a certification signature of the grant coordinator and employee. These personnel activity reports should be completed semi-annually for employees that are paid solely from a single federal grant and should coincide with one or more pay periods on at least a monthly basis for those employees who receive less than 100% of their compensation from a single federal grant. These records should then be used to adjust budgeted grant costs to actual grant costs on at least a quarterly basis. We further recommend an effective system of reconciling the personnel activity reports with the actual payroll costs charged to the federal grants, so that complete and accurate charges are made to the program.

**Officials' Response:**

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

**BUCKEYE LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 9.38 – Deposit of Public Funds	No	Not corrected; this finding has been repeated in the audit report as Finding #2006-001.
2005-002	Student Age Child Care (SACC) Tuition Receipts	No	Not corrected; this finding has been repeated in the audit report as Finding #2006-002.
2005-003	Student Activity Documentation	No	Not corrected, this finding has been repeated in the audit report as Finding #2006-003.







**Mary Taylor, CPA**  
Auditor of State

**BUCKEYE VALLEY LOCAL SCHOOL DISTRICT**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 19, 2007**