



Dave Yost • Auditor of State

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bluffton Exempted Village School District
Allen County
102 South Jackson Street
Bluffton, Ohio 45817

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bluffton Exempted Village School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bluffton Exempted Village School District, Allen County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 23, 2013

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

This discussion and analysis of Bluffton Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

HIGHLIGHTS

Key highlights for 2013 are as follows:

In total, net position decreased \$114,229, or a 4 percent change from the prior fiscal year. The School District's general receipts are primarily property taxes and unrestricted state entitlements, which make up 75 percent of the total cash received. Dependence on these two revenue sources is significant.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net position and the statement of activities reflect how the School District did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds – All of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs.

The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Debt Service Fund.

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 of these funds are not available to support the School District's programs.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared with fiscal year 2012:

**(Table 1)
New Position**

	Governmental Activities 2013	Governmental Activities 2012
Assets		
Cash and Cash Equivalents	\$3,093,207	\$3,207,436
Net Assets		
Restricted for:		
Debt Service	506,731	599,610
Capital Projects	137,933	206,690
Scholarships:		
Expendable	61,788	63,612
Other Purposes	33,210	23,966
Unrestricted	2,353,545	2,313,558
Total Net Assets	<u>\$3,093,207</u>	<u>\$3,207,436</u>

As mentioned previously, net position of governmental activities decreased \$114,229, or 4 percent during fiscal year 2013, due in part, to a decrease in operating grants and contributions.

Table 2 reflects the changes in net position for fiscal year 2013 compared with fiscal year 2012.

**(Table 2)
Changes in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,180,508	\$1,150,760
Operating Grants and Contributions	609,172	763,588
Total Program Receipts	1,789,680	1,914,348
General Receipts:		
Property Taxes and Payment in Lieu of Taxes	3,193,576	3,154,598
Grants and Entitlements Not Restricted to Specific Programs	4,412,618	4,476,074
Income Taxes	691,640	683,480
Interest	6,743	15,980
Gifts & Donations		
Miscellaneous	62,774	89,531
Total General Receipts	8,367,351	8,419,663
Total Receipts	<u>10,157,031</u>	<u>10,334,011</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Position
(Continued)**

	Governmental Activities	Governmental Activities
Cash Disbursements:		
Instruction:		
Regular	4,222,492	4,444,178
Special	593,434	662,379
Vocational	33,977	31,291
Other	366,578	341,147
Support Services:		
Pupil	242,104	239,509
Instructional Staff	425,771	440,141
Board of Education	27,270	12,944
Administration	744,708	799,042
Fiscal	266,503	278,170
Operation and Maintenance of Plant	1,411,169	1,464,172
Pupil Transportation	488,949	351,225
Central	16,571	16,605
Operation of Non-Instructional Services	3,118	3,129
Extracurricular Activities	307,045	320,483
Capital Outlay	4,500	4,500
Food Services	434,692	432,919
Debt Service:		
Principal Retirement	498,534	464,543
Interest and Fiscal Charges	183,845	201,736
Total Disbursements	10,271,260	10,508,113
(Decrease)/Increase in Net Position	(114,229)	(174,102)
Net Position, July 1, 2012	3,207,437	3,381,538
Net Position, June 30, 2013	\$3,093,207	\$3,207,436

Program receipts represent only 18 percent in fiscal year 2013 and 19 percent in fiscal year 2012 of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales. General receipts represent 82 percent of total receipts in fiscal year 2013 and 81 percent in fiscal year 2012, and of this amount, approximately 53 percent for both fiscal year 2013 and fiscal year 2012 is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property taxes make up 38 percent in fiscal year 2013 and 37 percent in fiscal year 2012 of the School District's general receipts. The permanent improvement income tax makes up 8 percent of the general receipts both in fiscal year 2013 and fiscal year 2012. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 51 percent of all governmental disbursements in fiscal year 2013 and 52 percent in fiscal year 2012. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements in fiscal year 2013 and 10 percent in fiscal year 2012.

Operation and maintenance of the School District's facilities also represents a significant expense, 14 percent in both fiscal year 2013 and in fiscal year 2012. Therefore, 76 percent in fiscal year 2013 and 2012 of the School District's governmental disbursements are related to the primary functions of providing facilities and delivering education.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Governmental Activities - If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services, which account for 51 and 35 percent in fiscal year 2013 and 52 and 34 percent in fiscal year 2012, respectively. Debt services also represent a significant cost, approximately 7 percent in fiscal year 2013 and 6 percent in fiscal year 2012.

The next two columns of the Statement of Activities entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net (Disbursements) column compares the program receipts to the cost of the service. This "Net Cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost		Net Cost	
	of Services	of Services	of Services	of Services
	2013		2012	
Instruction:				
Regular	\$ 4,222,492	\$3,360,309	\$ 4,444,178	\$3,537,377
Special	593,434	283,671	662,379	298,439
Vocational	33,977	31,821	31,291	29,135
Other	366,578	366,578	341,147	341,147
Support Services:				
Pupil	242,104	242,104	239,509	239,509
Instructional Staff	425,771	292,734	440,141	309,096
Board of Education	27,270	27,270	12,944	12,944
Administration	744,708	744,708	799,042	799,042
Fiscal	266,503	266,503	278,170	278,170
Operation and Maintenance of Plant	1,411,169	1,403,620	1,464,172	1,464,172
Pupil Transportation	488,949	488,949	351,225	351,225
Central	16,571	16,571	16,605	16,605
Non-instructional Services	3,118	3,118	3,129	3,129
Extracurricular Activities	307,045	237,094	320,483	242,242
Capital Outlay	4,500	4,500	4,500	4,500
Food Services	434,692	29,651	432,919	754
Debt Service:				
Principal Retirement	498,534	498,534	464,543	464,543
Interest and Fiscal Charges	183,845	183,845	201,736	201,736
Total Expenses	\$10,271,260	\$8,481,580	\$10,508,113	\$8,593,765

The dependence upon property taxes and other general receipts is apparent as 82 percent in fiscal year 2013 and 81 percent in fiscal year 2012 of governmental activities are supported through these general receipts. In fiscal year 2013 and fiscal year 2012, 77 percent of instruction activities are supported through taxes and other general revenues. Operation of food services was funded through general receipts by 7 percent in fiscal year 2013 and was funded by program revenues and the fund beginning balance for fiscal balance 2012. In fiscal year 2013, 23 percent and in fiscal year 2012, 24 percent of extracurricular activities expenses are covered by program revenues. This is primarily due to music and athletic fees, ticket sales and gate receipts. It is apparent that the community, as a whole, is the primary support for the School District.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$10,157,031 and disbursements of \$10,271,260, net of other financing sources and uses. The negative change of \$114,229 in fund balance for the fiscal year indicates that the School District still needs to continue to look for ways to reduce expenses.

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 the course of fiscal year 2013, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts including other financing sources were budgeted at \$7,993,477 while actual receipts were \$8,128,359. The difference between final budgeted receipts and actual receipts was primarily due to higher open enrollment amounts being collected and the receipt of the casino tax.

Final disbursements including other financing uses were budgeted at \$10,307,035 while actual disbursements were \$8,097,547. The School District was able to restrict spending below what was anticipated. The School District experienced lower instruction and support services expenditures than expected and also had only \$4,500 in capital outlay expenditures that was \$1,122,770 lower than expected. The School District appropriates conservatively in order to cover expenditures.

DEBT ADMINISTRATION

At June 30, 2013, the School District's outstanding debt included \$2,742,699 in general obligation bonds issued for improvements to buildings and structures, \$1,450,000 in library construction bonds, \$325,515 in an energy conservation loan and \$22,500 in an operating lease for two parcels of land. For further information regarding the School District's debt, refer to Notes 1H and 1I to the basic financial statements.

CURRENT ISSUES

The challenge for all School Districts is to provide quality education to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for fiscal year 2018; therefore, the administration is looking for ways to delay the deficit by reducing expenditures through attrition and wise spending.

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 Paula M. Parish, Treasurer, Bluffton Exempted Village School District, 102 South Jackson St., Bluffton, Ohio 45817.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,093,207</u>
Total Assets	<u>3,093,207</u>
Net Position:	
Restricted for:	
Debt Service	506,731
Capital Projects	137,933
Other Purposes	33,210
Scholarships:	
Expendable	61,788
Unrestricted	<u>2,353,545</u>
Total Net Position	<u><u>\$3,093,207</u></u>

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net</u> <u>(Disbursements)</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities				
Current:				
Instruction:				
Regular	\$4,222,492	\$824,374	\$37,809	(\$3,360,309)
Special	593,434		309,763	(283,671)
Vocational	33,977		2,156	(31,821)
Other	366,578			(366,578)
Support Services:				
Pupil	242,104			(242,104)
Instructional Staff	425,771		133,037	(292,734)
Board of Education	27,270			(27,270)
Administration	744,708			(744,708)
Fiscal	266,503			(266,503)
Operation and Maintenance of Plant	1,411,169		7,549	(1,403,620)
Pupil Transportation	488,949			(488,949)
Central	16,571			(16,571)
Operation of Non-Instructional Services	3,118			(3,118)
Extracurricular Activities	307,045	69,951		(237,094)
Capital Outlay	4,500			(4,500)
Food Services	434,692	286,183	118,858	(29,651)
Debt Services:				
Principal Retirement	498,534			(498,534)
Interest and Fiscal Charges	183,845			(183,845)
Total Governmental Activities	<u>\$10,271,260</u>	<u>\$1,180,508</u>	<u>\$609,172</u>	<u>(8,481,580)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				2,777,386
Debt Service				416,190
Income Taxes				691,640
Grants and Entitlements not Restricted to Specific Programs				4,412,618
Interest				6,743
Miscellaneous				62,774
Total General Receipts				<u>8,367,351</u>
Change in Net Position				(114,229)
Net Position Beginning of Year				<u>3,207,436</u>
Net Position End of Year				<u>\$3,093,207</u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$2,411,953	\$506,731	\$174,523	\$3,093,207
Total Assets	<u>2,411,953</u>	<u>506,731</u>	<u>174,523</u>	<u>3,093,207</u>
Fund Balances:				
Restricted		506,731	232,931	739,662
Assigned	67,583			67,583
Unassigned	2,344,370		(58,408)	2,285,962
Total Fund Balances	<u>\$2,411,953</u>	<u>\$506,731</u>	<u>\$174,523</u>	<u>\$3,093,207</u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property Taxes	\$2,777,386	\$416,190		\$3,193,576
Income Taxes			\$691,640	691,640
Intergovernmental	4,467,237	133,774	420,779	5,021,790
Interest	4,781	1,174	788	6,743
Tuition	770,939			770,939
Classroom Materials and Fees	53,435			53,435
Extracurricular Activities			69,951	69,951
Charges for Services			286,183	286,183
Miscellaneous	54,581		8,193	62,774
Total Cash Receipts	<u>8,128,359</u>	<u>551,138</u>	<u>\$1,477,534</u>	<u>10,157,031</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	4,024,910		197,582	4,222,492
Special	412,511		180,923	593,434
Vocational	33,977			33,977
Other	366,578			366,578
Support Services:				
Pupil	242,104			242,104
Instructional Staff	291,883		133,888	425,771
Board of Education	27,270			27,270
Administration	744,708			744,708
Fiscal	246,770	8,744	10,989	266,503
Operation and Maintenance of Plant	890,766		520,403	1,411,169
Pupil Transportation	406,119		82,830	488,949
Central	16,571			16,571
Operation of Non-Instructional Services	618		2,500	3,118
Operation of Food Services			434,692	434,692
Extracurricular Activities	228,573		78,472	307,045
Capital Outlay	4,500			4,500
Debt Service:				
Principal Retirement		498,534		498,534
Interest and Fiscal Charges		183,845		183,845
Total Cash Disbursements	<u>7,937,858</u>	<u>691,123</u>	<u>1,642,279</u>	<u>10,271,260</u>
Excess of Receipts Over (Under) Disbursements	190,501	(139,985)	(164,745)	(114,229)
Other Financing Sources (Uses):				
Transfers In		47,106	45,000	92,106
Transfers Out	(92,106)			(92,106)
Total Other Financing Sources (Uses)	<u>(92,106)</u>	<u>47,106</u>	<u>45,000</u>	
Net Change in Fund Balances	98,395	(92,879)	(119,745)	(114,229)
Fund Balances Beginning of Year	<u>2,313,558</u>	<u>599,610</u>	<u>294,268</u>	<u>3,207,436</u>
Fund Balances End of Year	<u>\$2,411,953</u>	<u>\$506,731</u>	<u>\$174,523</u>	<u>\$3,093,207</u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts:				
Property Taxes	\$2,819,000	\$2,819,000	\$2,777,386	(\$41,614)
Intergovernmental	4,362,327	4,362,327	4,467,237	104,910
Interest	12,250	12,250	4,781	(7,469)
Tuition	680,000	680,000	770,939	90,939
Classroom Material and Fees	53,500	52,500	53,435	935
Revenue in Lieu of Taxes	1,000	1,000		(1,000)
Miscellaneous	57,250	55,750	52,304	(3,446)
Total Cash Receipts	<u>7,985,327</u>	<u>7,982,827</u>	<u>8,126,082</u>	<u>143,255</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,370,936	4,363,436	4,072,256	291,180
Special	518,852	518,852	412,511	106,341
Vocational	50,000	50,000	43,977	6,023
Adult/Continuing	1,000	1,000		1,000
Other	385,000	385,000	366,578	18,422
Support Services:				
Pupil	273,916	273,916	244,104	29,812
Instructional Staff	321,663	327,163	292,258	34,905
Board of Education	55,425	69,925	27,270	42,655
Administration	879,641	879,641	745,474	134,167
Fiscal	276,173	276,173	246,805	29,368
Operation and Maintenance of Plant	1,229,684	1,228,684	893,045	335,639
Pupil Transportation	409,163	443,663	411,519	32,144
Central	17,850	17,850	16,571	1,279
Extracurricular Activities	240,356	240,356	228,573	11,783
Capital Outlay	1,210,270	1,127,270	4,500	1,122,770
Total Disbursements	<u>10,239,929</u>	<u>10,202,929</u>	<u>8,005,441</u>	<u>2,197,488</u>
Excess of Receipts Over (Under) Disbursements	(2,254,602)	(2,220,102)	120,641	2,340,743
Other Financing Sources (Uses):				
Advances In	8,650	5,650		(5,650)
Advances Out	(11,000)	(7,500)		7,500
Transfers Out	(61,606)	(96,606)	(92,106)	4,500
Refund of Prior Year Expenditures	5,000	5,000	2,277	(2,723)
Total Other Financing Sources (Uses)	<u>(58,956)</u>	<u>(93,456)</u>	<u>(89,829)</u>	<u>3,627</u>
Net Change in Fund Balance	(2,313,558)	(2,313,558)	30,812	2,344,370
Fund Balance Beginning of Year	2,258,626	2,258,626	2,258,626	
Prior Year Encumbrances Appropriated	54,932	54,932	54,932	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$2,344,370</u>	<u>\$2,344,370</u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,271</u>	<u>\$49,686</u>
Net Position:		
Held for Students		49,686
Held in Trust for Scholarships:		
Expendable	271	
Non-expendable	<u>10,000</u>	
	<u>\$10,271</u>	<u>\$49,686</u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Investment Income	\$22
Change in Net Position	22
Net Position - Beginning of Year	10,249
Net Position - End of Year	<u>\$10,271</u>

See accompanying notes to the basic financial statements

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1861 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 57.5 square miles. It is located in Allen and Hancock counties and includes the entire Village of Bluffton, all of Richland Township, and portions of Monroe and Orange Townships. The School District is the 428 largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 38 classified employees, 61 certified teaching personnel, and 6 administrative employees who provide services to 1147 students and other community members. The School District currently operates 3 buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

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 the School District, this includes general operations, food service, and student related activities.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

C. Jointly Governed Organizations

The School District participates in three jointly governed organizations and two public entity risk pools, and is associated with a related organization. These organizations are the Apollo Career Center, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Area Computer Services Cooperative (NOACSC), Allen County Schools Health Benefit Plan, Ohio School Boards Association Workers' Compensation Group Rating Plan, and Bluffton-Richland Public Library. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

The School Districts management believes these financial statements present all activities for which the School District is financially accountable.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District reports no business type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and Debt Service 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.

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

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

2. Fiduciary 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 Fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's Agency Fund accounts for various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the five year forecast, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The five year forecast demonstrates a need for existing or increased tax rates.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund, function, object, level for all funds.

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

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. 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".

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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013, investments were limited to STAR Ohio. 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, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$4,781, which includes \$137 assigned from other funds. Other School District funds had interest receipts of \$1,962.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Net Position

Net position 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 were restricted for debt service, capital projects and scholarships. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursement for specified purposes.

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

G. Inventory And Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

4. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2013, the School District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than nets, as the residual of all other elements presented in a statement of financial position. This was incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual – (Budget Basis) presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (cash basis). The adjustments necessary to reconcile the cash and budget basis statements for the General Fund are as follows:

<u>Difference in Fund Balance</u>	
Cash Basis	\$2,411,953
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End	<u>(67,583)</u>
Budget Basis	<u><u>\$2,344,370</u></u>

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 that the Board 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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 can 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).

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.

At fiscal year end, the School District had \$600 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$2,464,145. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance of \$2,722,704 was not exposed to custodial credit risk because it was insured through the Federal Deposit Insurance Corporation (FDIC) and a \$1,500,000 Letter of Credit, with the School District listed as beneficiary, through the Federal Home Loan Bank of Cincinnati.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments - As of June 30, 2013, the investment with Star Ohio was \$688,419. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

7. 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 property located in the School District. Property tax receipts received in 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) is for 2012 taxes.

2013 real property taxes are levied after October 1, 2012 on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2013 real property taxes collected after June 30, 2013 are intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien on December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

Tangible personal property tax revenues received in calendar year 2013 (other than public utility property) represent the collection of calendar year 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. PROPERTY TAXES (Continued)

The School District receives property taxes from Allen and Hancock 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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$101,265,390	78.32%	\$104,029,420	78.58%
Industrial/Commercial	20,424,030	15.80%	20,415,450	15.42%
Public Utility Property	79,890	.06%	91,130	.07%
Tangible/Utility Personal Property	7,521,640	5.82%	7,847,520	5.93%
Total Assessed Value	<u>\$129,290,950</u>	<u>100.00%</u>	<u>\$132,383,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.91		\$40.922	

8. INCOME TAXES

The School District levies a voted tax of one-half percent for permanent improvements on the income of residents and of estates. The tax was effective on January 1, 2008, and is effective for a renewed by the voters in three year increments through December 31, 2016. 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 receipts are recorded in the Permanent Improvement Fund.

9. 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 2013, the School District contracted with Schools of Ohio Risk Sharing Authority for the following insurance coverage:

Building and Contents - Replacement Cost	\$ 40,366,744
Automobile Liability	12,000,000
General Liability:	
Per Occurrence	12,000,000
Aggregate	14,000,000

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.

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the local school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

For fiscal year 2013, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Program.

Each member pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to educational entities that can meet the Program's selection criteria. Each participant must apply annually. The Program provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org, under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$491,284 and \$714 for the fiscal year ended June 30, 2013, \$524,922 and \$499 for the fiscal year ended June 30, 2012 and \$540,025 and \$368, for fiscal year ended June 30, 2011. For fiscal year 2013, 82 percent has been contributed for the DBP and CP, and 100 percent has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$6,076 made by the School District and \$4,340 made by the plan members. In addition, member contributions of \$510 were made for fiscal year 2013 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$147,843, \$146,830, and \$130,994, respectively. For fiscal year 2013, 100 percent has been contributed, and 100 percent has been contributed for fiscal years 2012 and 2011.

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, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org, under "Publications".

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$38,313, \$40,940, and \$41,569 respectively. For fiscal year 2013, 82 percent has been contributed, and 100 percent has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$19,698 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$1,806 \$6,359, and \$15,861, respectively. For fiscal year 2013, 100 percent has been contributed, and 100 percent has been contributed for fiscal years 2012 and 2011.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employee contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$8,351, \$8,671, and \$8,430, respectively. For fiscal year 2013, 42 percent has been contributed, and 100 percent has been contributed for fiscal years 2012 and 2011.

12. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

Transfers to Non-major Governmental funds from:	
General Fund	\$45,000
Transfers to Major Debt Service funds from:	
General Fund	47,106

Transfers are used to move unrestricted cash receipts collected in the general fund to other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Advances can be made between the General Fund and the other governmental non major funds. The School District did not have advances for the year ended June 30, 2013.

Interfund transfers and advances between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers or advances are reported on the statement of activities.

13. LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
2005 School Improvement					
Serial Bonds 3.0 – 3.75%	\$1,705,000		\$405,000	\$1,300,000	\$415,000
Term Bonds - 4.125%	885,000			885,000	
Capital Appreciation Bonds – 25.6%	79,641			79,641	
Accretion on Capital Bonds	358,644	\$119,414		478,058	
Total School Improvement Bonds	3,028,285	119,414	405,000	2,742,699	415,000
Library Construction Bonds-4.92%	1,510,000		60,000	1,450,000	60,000
Energy Conservation Financing Pro.					
2006 HB 264 Loan – 3.947%	359,050		33,535	325,515	34,883
Total Governmental Activities					
Long-Term Liabilities	\$4,897,335	\$119,414	\$498,535	\$4,518,214	\$509,883

2005 School Improvement Bonds – On May 3, 2005, the School District defeased a 1997 School Improvement Bond Issue with the issuance of \$5,034,641 in general obligation bonds. The bond issue included serial and term current interest bonds, and capital appreciation bonds in the amount of \$4,070,000, \$885,000 and \$79,641, respectively.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG TERM OBLIGATIONS (Continued)

Term Bonds - The term bonds due on December 1, 2021 are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption of \$445,000 is to occur on December 1, 2020 at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. Unless otherwise called for redemption, the remaining \$440,000 principal amount of the Bonds due December 2021 is to be paid at stated maturity.

The current interest bonds maturing on December 2015 and December 2021 are subject to optional redemption, in whole or part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity at the option of the board of Education on or after June 1, 2015, at the redemption price of 100%.

The capital appreciation bonds are not subject to redemption until maturity and will mature in fiscal years 2016 through 2019. The maturity amount of the bonds is \$1,785,000. For fiscal year 2013, the accretion was \$119,414 and the total accreted bond value was \$557,699.

2002 Library Construction Improvement Bonds - On February 1, 2002, Library Construction Improvement Bonds were issued in the amount of \$1,965,000 for the purpose of renovating, improving and constructing an addition to the Bluffton-Richland Public Library. These bonds are payable from a voted debt service tax levied on all taxable property in the School District.

Energy Conservation HB264 Loan – the loan was obtained for energy conserving measures in accordance with the House Bill 264 School Energy Conservation Financing Program, at a 5% rate of interest. The School District was awarded \$519,301. Of this amount \$309,811 was received in fiscal year 2007 and \$209,648 was received in fiscal year 2006. The loan will be retired from the debt service fund with payments beginning in August 2006. On July 15, 2011, the School District refinanced the Energy Conservation HB264 Loan, in the amount of \$388,593 at a 3.947% fixed rate of interest, maturing on July 15, 2021.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2013, were as follows:

Fiscal Year	General Obligation Bonds				
	Ending	Serial		Term	
		Principal	Interest	Principal	Interest
2014	\$ 475,000	\$116,669		\$ 36,506	
2015	500,000	98,425		36,506	
2016	515,000	78,929		36,506	
2017	70,000	67,183		36,506	
2018	75,000	63,388		36,506	
2019-2023	425,000	250,937	\$885,000	109,416	
2024-2028	560,000	116,325			
2029	130,000	3,575			
Totals	<u>\$2,750,000</u>	<u>\$795,431</u>	<u>\$885,000</u>	<u>\$291,946</u>	

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds Capital Appreciation	
	Principal	Interest
2017	\$28,574	\$ 436,426
2018	21,248	418,752
2019-2020	29,819	850,181
Totals	\$79,641	\$1,705,359

Fiscal Year Ending	Energy Conservation HB264 Loan	
	Principal	Interest
2014	\$ 34,883	\$12,223
2015	36,285	10,821
2016	37,718	9,388
2017	39,259	7,846
2018	40,837	6,269
2019-2022	136,532	8,711
Totals	\$325,514	\$55,258

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The School District has defeased the 1997 School Improvement bond Issue by placing cash with a trustee in an amount sufficient to pay all debt principal and interest when they come due. The principal amount of the defeased debt outstanding at June 30, 2013 was \$2,264,641. The cash and investments held by the trustee are not included in the School District's assets nor are the outstanding bonds included above.

The School District's overall debt margin was \$8,381,092 with an unvoted debt margin of \$132,384 at June 30, 2013.

14. OPERATING LEASE

The School District leases two parcels of land under a cancelable lease with the final payment due in fiscal year 2018. The School District disbursed \$4,500 to pay lease costs for the fiscal year ended June 30, 2013. Future lease payments are as follows:

Year	Amount
2014	\$ 4,500
2015	4,500
2016	4,500
2017	4,500
2018	4,500
Total	\$22,500

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. SET ASIDE REQUIREMENTS

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 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 capital improvements during fiscal year 2013.

	Capital Improvements
Set Aside Reserve Balance June 30, 2013	
Current Year Set Aside Requirement	\$191,460
Current Year Offsets	(191,460)
Current Year Qualifying Expenditures	
Total	0
Amount Carried Forward to Fiscal Year 2014	\$ 0

16. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Athletics			\$ 12,139	\$ 12,139
Food Service Operations			21,071	21,071
Scholarships			61,788	61,788
Capital Improvements			137,933	137,933
Debt Service		\$506,731		506,731
Total Restricted		506,731	232,931	739,662
Assigned for:				
Unpaid Obligations	\$ 67,583			67,583
Total Assigned	67,583			67,583
Unassigned:	2,344,370		(58,408)	2,285,962
Total Fund Balance	\$2,411,953	\$506,731	\$174,523	\$3,093,207

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Apollo Career Center

The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Career Center, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

B. Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among member school districts, including both public school districts and county boards of education, in Allen, Auglaize, Hancock, Mercer, Paulding, Putnam, and Van Wert counties. The jointly governed 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 districts. Each school supports NOACSC based upon a per pupil charge. The Governing Board of NOACSC consists of two representatives from each county and one representative from the fiscal agent. The representatives from each county are elected by a majority vote of all county member schools. Financial information can be obtained from Ray Burden, Director, at 645 South Main St., Lima, Ohio 45805.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

18. PUBLIC ENTITY RISK POOLS

A. Allen County Schools Health Benefit Plan

The School District participates in the Allen County Schools Health Benefit Plan (the Program), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

18. PUBLIC ENTITY RISK POOLS (Continued)

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Allied Benefits, concerning aspects of the administration of the Trust. Each school district decides which plan offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Brian Rockhold, who serves as Chairman, at 1920 Slabtown Road, Lima, Ohio 45801.

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

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

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

19. RELATED ORGANIZATION

Bluffton-Richland Public Library

The Bluffton-Richland Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies.

Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bluffton-Richland Public Library, James Weaver, Clerk/Treasurer, at 145 S. Main Street, Bluffton, Ohio 45817.

20. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$37,708		\$37,708
Cash Assistance:					
National School Lunch Program	10.555	\$113,495		\$113,495	
Special Milk Program for Children	10.556	3,155		3,155	
Total Child Nutrition Cluster		<u>116,650</u>	<u>37,708</u>	<u>116,650</u>	<u>37,708</u>
Total United States Department of Agriculture		<u>116,650</u>	<u>37,708</u>	<u>116,650</u>	<u>37,708</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Special Education Grants to States	84.027	170,205		196,913	
Title I Grants to Local Educational Agencies	84.010	72,160		102,850	
Improving Teacher Quality State Grants	84.367	22,160		23,327	
Race-To-The-Top Incentive Grants, Recovery Act	84.395	<u>24,447</u>		<u>28,682</u>	
Total United States Department of Education		<u>288,972</u>		<u>351,772</u>	
Department of Homeland Security					
(Passed through Ohio Emergency Management Agency)					
FEMA Public Assistance Grant	97.036	<u>7,549</u>		<u>7,549</u>	
Total Federal Financial Assistance		<u>\$413,171</u>	<u>\$37,708</u>	<u>\$475,971</u>	<u>\$37,708</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Bluffton Exempted Village School District (the School District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Bluffton Exempted Village School District
Allen County
102 South Jackson Street
Bluffton, Ohio 45817

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 23, 2013, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School 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, opining 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 23, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bluffton Exempted Village School District
Allen County
102 South Jackson Street
Bluffton, Ohio 45817

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Bluffton Exempted Village School District (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bluffton Exempted Village School District's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Bluffton Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 23, 2013

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States CFDA# 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare and submit the annual financial report according to generally accepted accounting principles to provide the users with more complete and meaningful financial statements.

OFFICIALS' RESPONSE:

The Bluffton Exempted Village School District plans to continue reporting using the cash basis of accounting as directed by the Board of Education on September 15, 2003. Financial statements are prepared using the GASB 34/Other Comprehensive Basis of Accounting (OCBOA) format because the District believes this to be more cost efficient.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2013-001

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Dave Yost • Auditor of State

Independent Auditor's Report on Applying Agreed-Upou Procedure

Bluffton Exempted Village School District
Allen County
102 South Jackson Street
Bluffton, Ohio 45817

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Bluffton Exempted Village School District] (the School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 23, 2013

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Dave Yost • Auditor of State

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT

ALLEN 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
JANUARY 16, 2014**