



**Auditor of State  
Betty Montgomery**



**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types - For the Fiscal Year Ended June 30, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes In Fund Cash Balances - Proprietary and Similar Fiduciary Fund Types - For the Fiscal Year Ended June 30, 2004.....	4
Combined Statement of Receipts - Budget and Actual For the Fiscal Year Ended June 30, 2004.....	5
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority – For the Fiscal Year Ended June 30, 2004.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and On Internal Control Required By <i>Government Auditing Standards</i> .....	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	24

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the Bluffton Exempted Village School District, Allen County, (the District), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bluffton Exempted Village School District  
Allen County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 15, 2004

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Taxes	\$2,824,438		\$874,779			\$3,699,217
Tuition	183,285					183,285
Intergovernmental	4,264,909	\$277,553	94,795	\$26,675		4,663,932
Interest	19,332		5,375			24,707
Extracurricular Activities		96,812				96,812
Classroom Materials & Fees	30,513					30,513
Miscellaneous	8,731	26,825			\$1,479	37,035
<b>Total Cash Receipts</b>	<b>7,331,208</b>	<b>401,190</b>	<b>974,949</b>	<b>26,675</b>	<b>1,479</b>	<b>8,735,501</b>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	3,763,337	79,408		27,000		3,869,745
Special	380,196	77,044				457,240
Vocational	74,591					74,591
Adult/Continuing	160					160
Other	72,616					72,616
Support Services:						
Pupils	193,171	1,124				194,295
Instruction	333,604	154,899			307	488,810
Board of Education	33,892					33,892
Administration	687,287	7,818				695,105
Fiscal	197,096		16,491			213,587
Operation and Maintenance	810,139			300		810,439
Transportation	322,452					322,452
Central Services	1,204					1,204
Extracurricular Activities	198,341	86,812				285,153
Debt Service:			883,019			883,019
<b>Total Cash Disbursements</b>	<b>7,068,086</b>	<b>407,105</b>	<b>899,510</b>	<b>27,300</b>	<b>307</b>	<b>8,402,308</b>
Cash Receipts Over (Under)						
Cash Disbursements	263,122	(5,915)	75,439	(625)	1,172	333,193
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	24,609					24,609
Refund of Prior Year Receipts		(450)				(450)
Advances In	16,500					16,500
Advances Out	(12,000)					(12,000)
Operating Transfers In		600	8,874			9,474
Operating Transfers Out	(12,224)					(12,224)
<b>Total Other Financing Sources (Uses)</b>	<b>16,885</b>	<b>150</b>	<b>8,874</b>			<b>25,909</b>
Cash Receipts and Other Sources Over (Under)						
Cash Disbursements and Other Uses	280,007	(5,765)	84,313	(625)	1,172	359,102
Fund Cash Balances						
at Beginning of Year, Restated (See Note 3)	1,153,731	71,487	566,781	625	12,341	1,804,965
<b>Fund Cash Balances at End of Year</b>	<b>\$1,433,738</b>	<b>\$65,722</b>	<b>\$651,094</b>	<b>\$0</b>	<b>\$13,513</b>	<b>\$2,164,067</b>

The accompanying notes are an integral part of the financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Proprietary Fund Type		Fiduciary Funds		Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	Agency	
<b>Operating Receipts</b>					
Food Services	\$277,477				\$277,477
Earnings on Investments			\$112		112
Extracurricular Activities				\$68,998	68,998
Classroom Materials & Fees	29,503				29,503
<b>Total Operating Receipts</b>	<b>306,980</b>		<b>112</b>	<b>68,998</b>	<b>376,090</b>
<b>Operating Disbursements</b>					
Salaries	115,728			1,328	117,056
Fringe Benefits	37,690				37,690
Purchased Services	9,844				9,844
Materials and Supplies	202,800	\$1,250	103		204,153
Capital Outlay	7,437				7,437
Other Objects	1,246			76,338	77,584
<b>Total Operating Disbursements</b>	<b>374,745</b>	<b>1,250</b>	<b>103</b>	<b>77,666</b>	<b>453,764</b>
Operating Income (Loss)	(67,765)	(1,250)	9	(8,668)	(77,674)
<b>Non-Operating Receipts</b>					
Miscellaneous		1,260		377	1,637
Interest	1,031				1,031
Federal and State Subsidies	60,445				60,445
<b>Total Non-Operating Receipts</b>	<b>61,476</b>	<b>1,260</b>		<b>377</b>	<b>63,113</b>
Net Income (Loss) Before Other Financing Sources	(6,289)	10	9	(8,291)	(14,561)
<b>Other Financing Sources/ Uses:</b>					
Operating Transfers In				2,750	2,750
Advances In	12,000				12,000
Advances Out	(16,500)				(16,500)
<b>Total Other Financing Sources/ Uses</b>	<b>(4,500)</b>			<b>2,750</b>	<b>(1,750)</b>
Receipts and Other Sources Over (Under) Disbursements and Other Uses	(10,789)	10	9	(5,541)	(16,311)
Fund Cash Balances at Beginning of Year	94,456		10,328	42,626	147,410
Fund Cash Balances at End of Year	<u>\$83,667</u>	<u>\$10</u>	<u>\$10,337</u>	<u>\$37,085</u>	<u>\$131,099</u>

*The accompanying notes are an integral part of the financial statements.*

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$7,346,140	\$7,355,817	\$9,677
Special Revenue Funds	449,320	401,790	(47,530)
Debt Service Funds	940,474	983,823	43,349
Capital Project Funds	26,675	26,675	
<b>Proprietary:</b>			
Enterprise Funds	378,700	368,456	(10,244)
Internal Service Funds	1,000	1,260	260
<b>Fiduciary:</b>			
Trust Funds	6,450	1,591	(4,859)
Agency Funds	92,815	72,125	(20,690)
Total (Memorandum Only)	<u>\$9,241,574</u>	<u>\$9,211,537</u>	<u>(\$30,037)</u>

*The notes to the financial statements are an integral part of this statement.*

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding At 6/30/04	Total	Variance Favorable/ (Unfavorable)
<b>Governmental:</b>							
General Fund	\$43,015	\$8,456,857	\$8,499,872	\$7,080,310	\$86,767	\$7,167,077	\$1,332,795
Special Revenue Funds	18,556	502,253	520,809	407,555	16,196	423,751	97,058
Debt Service Funds		1,507,256	1,507,256	899,510		899,510	607,746
Capital Project Funds	325	26,975	27,300	27,300		27,300	
<b>Proprietary:</b>							
Enterprise Funds	9,450	463,706	473,156	374,745	6,068	380,813	92,343
Internal Service Funds		1,000	1,000	1,250		1,250	(250)
<b>Fiduciary:</b>							
Trust Funds		19,119	19,119	410		410	18,709
Agency Funds	1,386	134,055	135,441	77,666		77,666	57,775
Total (Memorandum Only)	<u>\$72,732</u>	<u>\$11,111,221</u>	<u>\$11,183,953</u>	<u>\$8,868,746</u>	<u>\$109,031</u>	<u>\$8,977,777</u>	<u>\$2,206,176</u>

*The notes to the financial statements are an integral part of this statement.*

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is located in a rural community in Northwest Ohio. It is staffed by 44 non-certificated employees, 79 certificated full-time teaching personnel who provide services to 1,186 students and other community members.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with eight organizations which are defined as jointly governed organizations, related organizations and public entity risk pools. These organizations include Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program, West Central Ohio Regional Professional Development Center, Allen County Schools Health Benefit Plan, West Central Ohio Special Education Regional Resources Center (SERRC) and Bluffton Richland Public Library. These organizations are presented in Notes 11, 12, and 13 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Fund Types**

**General Fund** - The General Fund is the operating fund of the District and 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**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.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

**Enterprise Funds** - Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Fund** - Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Interest earnings are allocated as authorized by state statute based upon District policy.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on the Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF FUND BALANCES**

The Interactive Video Distance Learning Fund (IVDL) was reclassified from a capital project fund to a special revenue fund in fiscal year 2004. As a result of this reclassification, the beginning balances for each fund type was restated, as follows:

	<b>Capital Project Fund</b>	<b>Special Revenue Fund</b>
Fund Balance, June 30, 2003	\$1,910	\$ 70,202
Restatement	<u>(1,285)</u>	<u>1,285</u>
Fund Balance, July 1, 2003	<u>\$ 625</u>	<u>\$71,487</u>

**4. DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury notes, bills, bonds, or other obligations 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

As of June 30, 2004, the District had \$600 in undeposited cash on hand which is included in the fund cash balance.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*".

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$2,294,566 and the bank balance was \$2,450,159. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,350,159 was uninsured and uncollateralized.

Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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

	<b>2003 Second-Half</b>		<b>2004 First-Half</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$82,270,130	77.70%	\$94,820,790	80.07%
Public Utility	41,970	.04	45,850	.04
Tangible Personal Property	<u>23,564,096</u>	<u>22.26</u>	<u>23,553,598</u>	<u>19.89</u>
Total Assessed Value	<u>\$105,876,196</u>	<u>100.00%</u>	<u>\$118,420,238</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$46.65		\$45.67	

**6. RISK MANAGEMENT**

**A. Public Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

During fiscal year 2004, the District purchased from Indiana Insurance Company general liability insurance, which carried a \$1 million per occurrence/ 2 million annual aggregate limit with an additional \$4 million umbrella coverage. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded.

**B. Worker's Compensation**

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant 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.

**C. Health Care Benefits**

The District also participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the Districts within Allen County. The 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 FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**7. PENSION PLANS**

**A. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002, was \$485,537, \$470,785, and \$331,303, respectively; 86 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**7. PENSION PLANS**

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$83,334, \$69,114, and \$46,630, respectively.

**C. Social Security System**

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

**8. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was \$37,349.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,800 million at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$456,000,000, and STRS had 108,294 eligible benefit recipients.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$63,346 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 64,251 participants currently receiving health care benefits.

**9. LONG-TERM OBLIGATIONS**

The changes in the District's debt during fiscal year 2004 were as follows:

<u>Long-Term Debt</u>	<u>Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/04</u>
1986 School Building Construction 8.00%; Matures 12/1/08	\$1,160,000	0	\$190,000	\$ 970,000
1997 Construction Bonds Matures 12/1/21				
Serial Bonds- 3.75-5.00%	5,419,649	0	185,000	5,234,649
Term Bonds- 5.50%				
Capital Appreciation Bonds 5.2-5.35%				
2002 Library Construction Improvement Bonds 4.92%; Matures 12/01/28	1,945,000	0	45,000	1,900,000
Environmental Protection Agency 1988 Asbestos Abatement Loan Interest Free; Matures 7/31/08	39,935	0	8,874	31,061
<b>Total Debt</b>	<u>\$8,564,584</u>	<u>0</u>	<u>\$428,874</u>	<u>\$8,135,710</u>

The 1986 outstanding general obligation bonds consist of a school building construction issue. These general obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

On March 1, 1997, the District issued \$6,199,649 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$1,850,000, \$4,125,000 and \$224,649, respectively.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**9. LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds will mature in fiscal years 2008 through 2010. The maturity amounts of the bonds are \$260,000, for fiscal year 2008 and \$270,000, for fiscal years 2009 and 2010. Capital appreciation bonds are not subject to redemption prior to maturity. The bonds will be retired with a voted property tax levy from the debt service fund.

On February 1, 2002, Library Construction Improvement Bonds were issued 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 District.

The Environmental Protection Agency loan was obtained for asbestos removal, in accordance with the Asbestos School Hazard Abatement Act of 1984, on an interest free basis. The loan will be retired from the debt service fund.

The annual requirements to amortize all bond and note debt outstanding as of June 30, 2004, including interest is as follows:

<b>Fiscal Year Ending June 30</b>	<b>Bonds</b>	<b>Loans</b>	<b>Total</b>
2005	\$ 864,078	\$ 8,874	\$ 872,952
2006	857,743	8,874	866,617
2007	845,085	8,874	853,959
2008	826,454	4,439	830,893
2009	828,143	0	828,143
2010-2014	3,209,078	0	3,209,078
2015-2019	3,189,375	0	3,189,375
2020-2024	2,118,250	0	2,118,250
2025-2029	674,701	0	674,701
Total	13,412,907	31,061	13,443,968
Less interest	5,308,258	0	5,308,258
Total	<u>\$ 8,104,649</u>	<u>\$31,061</u>	<u>\$8,135,710</u>

**10. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisitions</b>
Set-Aside Cash Balance as of June 30, 2003	(\$41,857)	(\$591,976)
Required Set-Aside	164,052	164,052
Current Year Offset		(354,125)
Qualifying Expenditures	(133,399)	(230,033)
Cash Balance Carried Forward to Subsequent Year	<u>\$ (11,204)</u>	<u>\$ (946,101)</u>

The School District had qualifying disbursements during the year that reduced the set-aside amounts to below zero. For capital acquisitions, the extra amount which was a result of bond levy proceeds (offset), can be used to reduce the set aside requirements of future years. Also, revised code 3315.17 allows for the extra amount to carry over into future years for textbooks.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS**

**A. 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 Michael Wildermuth, Director, at 645 South Main St., Lima, Ohio 45805.

**B. Apollo Joint Vocational School**

The Apollo Joint Vocational School 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 Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**C. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Harding County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**D. West Central Ohio Regional Professional Development Center**

The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting the Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**E. 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.

**12. INSURANCE PURCHASING POOLS**

**A. Allen County Schools Health Purchasing Plan**

The 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.

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 204 North Main Street, Lima, Ohio 45801.

**B. Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program**

The District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**13. RELATED ORGANIZATIONS**

**A. 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 District for operational subsidies. Although the 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.

**14. GRANTS**

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

**15. STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 the financial statements of Bluffton Exempted Village School District, Allen County, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004, wherein we noted that the District has prepared its financial statements on the basis of accounting previously prescribed by the Auditor of State which is a comprehensive basis of accounting other than the generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 15, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 15, 2004.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
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Bluffton Exempted Village School District  
Allen County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

October 15, 2004

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004**

**FINDING NUMBER 2004-001**

**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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin Code Section 117-2-03 (B)**, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. 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 their financial statements in accordance with generally accepted accounting principles.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Preparing annual financial report in accordance with Generally Accepted Accounting Principles	No	Not Corrected



**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 23, 2004**