



**Auditor of State
Betty Montgomery**

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bluffton Exempted Village School District
Allen County
102 S. 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 School District), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the School 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 School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, 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 cash, investments, and combined fund cash balances of the School District, as of June 30, 2003, 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 1.

As described in Note 3, during the year ended June 30, 2003, the School District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2003 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 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.

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 6, 2003

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$2,803,153		\$872,966			\$3,676,119
Tuition	165,281					165,281
Intergovernmental	4,081,769	241,086	84,115	36,480		4,443,450
Interest	33,414		14,924			48,338
Extracurricular Activities		71,109				71,109
Classroom Materials & Fees	28,901					28,901
Miscellaneous	5,384	19,409			3,366	28,159
Total Revenues	7,117,902	331,604	972,005	36,480	3,366	8,461,357
Expenditures:						
Current:						
Instruction:						
Regular	3,643,439	67,244		48,848		3,759,531
Special	339,116	38,980				378,096
Vocational	72,105					72,105
Other	58,870					58,870
Support Services:						
Pupils	194,756	1,070				195,826
Instruction	341,648	134,703			416	476,767
Board of Education	29,493					29,493
Administration	650,104	3,793				653,897
Fiscal	174,669		16,802			191,471
Operation and Maintenance	684,967			3,043		688,010
Transportation	353,256					353,256
Central Services	2,732					2,732
Non-Instructional Services					1,175	1,175
Extracurricular Activities	191,730	106,812				298,542
Debt Service:			903,339			903,339
Total Expenditures	6,736,885	352,602	920,141	51,891	1,591	8,063,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	381,017	(20,998)	51,864	(15,411)	1,775	398,247
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	5,861	799				6,660
Refund of Prior Year Receipts		(1,008)				(1,008)
Advances In	21,000					21,000
Advances Out	(16,500)					(16,500)
Operating Transfers In	7,021	600	45,311			52,932
Operating Transfers Out	(48,661)	(7,021)				(55,682)
Miscellaneous		155				155
Total Other Financing Sources (Uses)	(31,279)	(6,475)	45,311			7,557
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	349,738	(27,473)	97,175	(15,411)	1,775	405,804
Fund Balances (Deficits) at Beginning of Year, Restated	803,993	97,675	469,606	17,322	10,566	1,399,162
Fund Balances (Deficits) at End of Year	<u>\$1,153,731</u>	<u>\$70,202</u>	<u>\$566,781</u>	<u>\$1,911</u>	<u>\$12,341</u>	<u>\$1,804,966</u>

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

**BLUFFTON EEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Fiduciary Funds		Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	Agency	
Operating Revenues:					
Food Services	\$271,645				\$271,645
Earnings on Investments			212		212
Extracurricular Activities				68,691	68,691
Classroom Materials & Fees	35,720				35,720
Total Operating Revenue	307,365		212	68,691	376,268
Operating Expenses:					
Salaries	116,155			1,524	117,679
Fringe Benefits	28,878				28,878
Purchased Services	4,567				4,567
Materials and Supplies	187,695	980	2,895		191,570
Other Objects	734		1,050	58,501	60,285
Total Operating Expenses	338,029	980	3,945	60,025	402,979
Operating Income (Loss)	(30,664)	(980)	(3,733)	8,666	(26,711)
Non-Operating Revenues:					
Miscellaneous		980		5	985
Interest	1,031				1,031
Federal and State Subsidies	46,972		2,998		49,970
Total Non-Operating Revenues	48,003	980	2,998	5	51,986
Net Income (Loss) Before Transfers	17,339		(735)	8,671	25,275
Operating Transfers In				2,750	2,750
Advances In	16,500				16,500
Advances Out	(21,000)				(21,000)
Total Transfers and Advances	(4,500)			2,750	(1,750)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,839		(735)	11,421	23,525
Fund Balance at Beginning of Year, Restated	81,617		11,063	31,205	123,885
Fund Balance at End of Year	\$94,456	\$0	\$10,328	\$42,626	\$147,410

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 YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$6,976,400	\$7,130,784	\$154,384
Special Revenue Funds	404,905	333,158	(71,747)
Debt Service Funds	936,621	1,017,316	80,695
Capital Project Funds	46,480	36,480	(10,000)
Proprietary:			
Enterprise Funds	373,600	355,368	(18,232)
Internal Service Funds	3,000	980	(2,020)
Fiduciary:			
Trust Funds	11,198	6,576	(4,622)
Total (Memorandum Only)	<u>\$8,752,204</u>	<u>\$8,880,662</u>	<u>\$128,458</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 YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total
Governmental:			
General Fund	\$38,883	\$7,762,510	\$7,801,393
Special Revenue Funds	32,055	479,585	511,640
Debt Service Funds	290	1,405,938	1,406,228
Capital Project Funds	1,136	62,666	63,802
Proprietary:			
Enterprise Funds	8,809	446,408	455,217
Internal Service Funds		3,000	3,000
Trust Funds		32,827	32,827
Total (Memorandum Only)	\$81,173	\$10,192,934	\$10,274,107

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

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<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$6,785,546	\$43,015	\$6,828,561	\$972,832
360,631	17,270	377,901	133,739
920,141		920,141	486,087
51,891	1,611	53,502	10,300
338,029	9,450	347,479	107,738
980		980	2,020
5,536		5,536	27,291
<u>\$8,462,754</u>	<u>\$71,346</u>	<u>\$8,534,100</u>	<u>\$1,740,007</u>

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

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 1,214 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 general purpose 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, 2003
(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 (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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, 2003
(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, 2002 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.

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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 General Purpose 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. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2003, the School District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a 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. This change had the following effect on fund balances as previously reported:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Enterprise</u>
Fund Balance/Retained Earnings, June 30, 2002	\$425,424	\$82,735	\$543,215	\$17,251	\$148,790
Accrual adjustments	378,569	14,940	(73,609)	71	(67,173)
Restated Fund Balance, July 1, 2002	<u>\$803,993</u>	<u>\$97,675</u>	<u>\$469,606</u>	<u>\$17,322</u>	<u>\$ 81,617</u>

In addition, the Diesel Scholarship was reclassified from a non-expendable trust fund to an expendable trust fund in fiscal year 2003. As a result of this reclassification, the beginning balance for both funds was restated, as follows:

	<u>Non-Expendable Trust</u>	<u>Expendable Trust</u>
Fund Balance, June 30, 2002	\$18,436	\$ 3,193
Restatement	<u>(7,373)</u>	<u>7,373</u>
Fund Balance, July 1, 2002	<u>\$11,063</u>	<u>\$10,566</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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. 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 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. Payments 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.

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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2003, the District had \$600 in undeposited cash on hand which is included in the fund balance.

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 \$1,951,776 and the bank balance was \$2,122,483. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,022,483 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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. PROPERTY TAXES (Continued)

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

	2002 Second-Half		2003 First-Half	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$80,855,350	76.01%	\$82,270,130	77.70%
Public Utility	47,410	.05	41,970	.04
Tangible Personal Property	<u>25,464,645</u>	<u>23.94</u>	<u>23,564,096</u>	<u>22.26</u>
Total Assessed Value	<u>\$106,367,405</u>	<u>100.00%</u>	<u>\$105,876,196</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$45.81		\$46.81	

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 2003, the District purchased from Nationwide Insurance Company general liability insurance, which carried a \$2 million per occurrence/ 5 million annual aggregate limit with an additional \$1 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, 2003
(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, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. 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, 2003, 2002, and 2001, was \$470,785, \$331,303, and \$321,224, respectively; 86 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(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, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$69,114, \$46,630, and \$31,082, 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, 2002, one of the Board of Education members has 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 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was \$36,214.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$70,919 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. LONG-TERM OBLIGATIONS

The changes in the District's debt during fiscal year 2003 were as follows:

Debt	Outstanding 6/30/02	Additions	Deductions	Outstanding 6/30/03
1986 School Building Construction 8.00%; Matures 12/1/08	\$1,350,000	0	\$190,000	\$1,160,000
1997 Construction Bonds Matures 12/1/21				
Serial Bonds- 3.75-5.00%	5,589,649	0	170,000	5,419,649
Term Bonds- 5.50%				
Capital Appreciation Bonds 5.2-5.35%				
2002 Library Construction Improvement Bonds 4.92%; Matures 12/01/28	1,965,000	0	20,000	1,945,000
Environmental Protection Agency 1988 Asbestos Abatement Loan Interest Free; Matures 7/31/08	48,809	0	8,874	39,935
1993 Energy Conservation Note 5.50%; Matures 4/22/03	35,000	0	35,000	0
Total Debt	\$8,988,458	0	\$423,874	\$8,564,584

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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

1997 School Improvement General Obligation Bonds - 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. 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.

The 2002 Library Construction Improvement Bonds were issued February 1, 2002 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 Energy Conservation Note was obtained for funding energy conserving capital improvement in accordance with AM Sub.H.B. 264. The loan was retired from the debt service fund during the fiscal year.

The annual requirements to amortize all bond and note debt outstanding as of June 30, 2003, including interest is as follows:

Fiscal Year Ending June 30	Bonds	Loans	Total
2004	\$ 874,145	\$ 8,874	\$ 883,019
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
2009-2013	3,390,458	0	3,390,458
2014-2018	3,217,723	0	3,217,723
2019-2023	2,601,463	0	2,601,463
2024-2028	676,325	0	676,325
2029	<u>133,575</u>	<u>0</u>	<u>133,575</u>
Total	14,287,049	39,935	14,326,984
Less interest	<u>5,762,396</u>	<u>0</u>	<u>5,762,400</u>
Total	<u>\$ 8,524,649</u>	<u>\$39,935</u>	<u>\$8,564,584</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

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, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2002	(\$8,050)	(\$258,711)	\$2,793
Required Set-Aside	159,828	159,828	0
Current Year Offset		(335,858)	(2,793)
Qualifying Expenditures	(193,635)	(157,235)	0
Cash Balance Carried Forward to Subsequent Year	<u>\$ (41,857)</u>	<u>\$ (591,976)</u>	<u>\$ 0</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, 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.

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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

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, CoreSource, concerning aspects of the administration of the Trust. Each school district decides which plan offered 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 Don Smith, 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.

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, 2003.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

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.

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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 S. Jackson Street
Bluffton, Ohio 45817

To the Board of Education:

We have audited the financial statements of the Bluffton Exempted Village School District, Allen County, (School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated October 6, 2003, wherein we noted that the School District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated October 6, 2003.

Internal Control Over Financial Reporting

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

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 6, 2003

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

FINDING NUMBER 2003-001

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 GAAP.



**Auditor of State
Betty Montgomery**

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

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 13, 2003**