



Mary Taylor, CPA
Auditor of State

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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Mary Taylor, CPA

Auditor of State

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 governmental activities, each major fund, and the aggregate remaining fund information of Bluffton Exempted Village School District, Allen County, (the School District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bluffton Exempted Village School District, Allen County, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

March 14, 2008

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

This discussion and analysis of Bluffton Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

HIGHLIGHTS

Key highlights for 2007 are as follows:

- In total, net assets increased \$425,452, or a 15 percent change from the prior fiscal year. The School District's general receipts are primarily property taxes and unrestricted state entitlements, which make up 80 percent of the total cash received. Dependence on these two revenue sources is significant.

USING THE BASIC FINANCIAL STATEMENTS

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

Report Components

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

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

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

Basis of Accounting

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

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the School District did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared with fiscal year 2006:

(Table 1)
Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Assets		
Cash and Cash Equivalents	<u>\$3,302,321</u>	<u>\$2,876,869</u>
Net Assets		
Restricted for:		
Debt Service	986,990	875,615
Capital Projects	1,810	
Bus Purchase	10,484	
Scholarships:		
Expendable	14,501	15,485
Other Purposes	55,657	76,276
Unrestricted	<u>2,232,879</u>	<u>1,909,493</u>
Total Net Assets	<u>\$3,302,321</u>	<u>\$2,876,869</u>

As mentioned previously, net assets of governmental activities increased \$425,452, or 15 percent during fiscal year 2007, due in part, to an increase in grants and entitlements not restricted to specific programs, and a decrease in required debt payments because of a refunding bond issue.

Table 2 reflects the changes in net assets for fiscal year 2007 compared with fiscal year 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 835,621	\$ 849,259
Operating Grants and Contributions	581,110	602,764
Total Program Receipts	<u>1,416,731</u>	<u>1,452,023</u>
General Receipts:		
Property Taxes and Payment in Lieu of Taxes	3,872,147	3,927,257
Grants and Entitlements Not Restricted to Specific Programs	4,350,039	4,104,016
Interest	191,412	130,544
Refund on Prior Year Expenditures		2,035
Miscellaneous	149,128	39,999
Total General Receipts	<u>8,562,726</u>	<u>8,203,851</u>
Other Receipts:		
Note Proceeds	<u>309,811</u>	<u>209,490</u>
Total Other Receipts	<u>309,811</u>	<u>209,490</u>
Total Receipts	<u>10,289,268</u>	<u>9,865,364</u>

(Continued)

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

	Governmental Activities 2007	Governmental Activities 2006
Cash Disbursements:		
Instruction:		
Regular	4,133,273	4,198,945
Special	559,466	485,550
Vocational	9,147	78,120
Adult/Continuing		195
Other	239,671	72,119
Support Services:		
Pupil	204,820	189,642
Instructional Staff	511,784	497,837
Board of Education	31,399	24,204
Administration	742,358	693,443
Fiscal	231,352	225,940
Operation and Maintenance of Plant	934,843	1,124,143
Pupil Transportation	362,081	455,451
Central	8,009	5,412
Non-Instructional Services	2,416	3,816
Extracurricular Activities	317,751	309,825
Capital Outlay	329,811	20,000
Food Services	363,481	375,131
Debt Service:		
Principal Retirement	572,052	603,874
Interest and Fiscal Charges	310,102	329,811
Total Disbursements	<u>9,863,816</u>	<u>9,693,458</u>
Increase in Net Assets	425,452	171,906
Net Assets, July 1, 2006	<u>2,876,869</u>	<u>2,704,963</u>
Net Assets, June 30, 2007	<u>\$ 3,302,321</u>	<u>\$ 2,876,869</u>

Program receipts represent only 14 percent in fiscal year 2007 and 15 percent in fiscal year 2006 of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales. General receipts represent 86 percent in fiscal years 2007 and 85 percent in 2006, and of this amount, over 50 percent for both fiscal year 2007 and fiscal year 2006 is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property taxes and payments in lieu of taxes make up over 45 percent in fiscal year 2007 and 48 percent in fiscal year 2006 of the School District's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 50 percent of all governmental disbursements in fiscal years 2007 and 2006. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements in fiscal year 2007 and 12 percent of governmental disbursements in fiscal year 2006.

Maintenance of the School District's facilities also represents a significant expense, over 9 percent in fiscal years 2007 and 12 percent in fiscal year 2006. Therefore, over 70 percent in fiscal year 2007 and 74 percent in fiscal year 2006 of the School District's governmental disbursements are related to the primary functions of providing facilities and delivering education.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities - If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services, which account for 50 and 31 percent in fiscal year 2007 and 50 and 31 percent in fiscal year 2006, respectively. Debt services also represent a significant cost, about 9 percent in fiscal year 2007 and 10 percent in fiscal year 2006.

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

**(Table 3)
Governmental Activities**

	Total Cost		Total Cost	
	of Services	Of Services	of Services	Of Services
	2007		2006	
Instruction				
Regular	\$4,133,273	\$3,617,445	\$4,198,945	\$3,689,039
Special	559,466	248,984	485,550	178,152
Vocational	9,147	8,134	78,120	51,318
Adult/Continuing			195	195
Other	239,671	239,671	72,119	72,119
Support Services				
Pupil	204,820	204,102	189,642	187,799
Instructional Staff	511,784	359,950	497,837	336,077
Board of Education	31,399	31,399	24,204	24,204
Administration	742,358	737,358	693,443	688,443
Fiscal	231,352	231,352	225,940	225,940
Operation and Maintenance of Plant	934,843	934,843	914,653	914,653
Pupil Transportation	362,081	352,592	455,451	450,884
Central	8,009	8,009	5,412	5,412
Non-instructional Services	2,416	2,416	3,816	3,816
Extracurricular Activities	317,751	228,540	309,825	204,132
Refund of Prior Year Expenditures				
Capital Outlay	329,811	329,811	229,490	229,490
Food Services	363,481	30,325	375,131	46,077
Debt Service:				
Principal Retirement	572,052	572,052	603,874	603,874
Interest and Fiscal Charges	310,102	310,102	329,811	329,811
Total Expenses	\$9,863,816	\$8,447,085	\$9,693,458	\$8,241,435

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The dependence upon property taxes and other general receipts is apparent as over 86 percent in fiscal years 2007 and over 84 percent in fiscal year 2006 of governmental activities are supported through these general receipts. Over 83 percent in fiscal year 2007 and 82 percent in fiscal year 2006 of instruction activities are supported through taxes and other general revenues. Operation of food services was funded by program revenues, the fund beginning balance for the current fiscal year and an advance of \$24,000 from the general fund. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Over 28 percent in fiscal year 2007 and 34 percent in fiscal year 2006 of extracurricular activities expenses are covered by program revenues. This is primarily due to music and athletic fees, ticket sales and gate receipts. It is apparent that the community, as a whole, is the primary support for the School District.

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$10,289,268 and disbursements of \$9,863,816. The positive change of \$425,452 in fund balance for the fiscal year indicates that the School District was able to meet current costs.

GENERAL FUND BUDGETING HIGHLIGHTS

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2007, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were budgeted at \$7,983,802 while actual receipts were \$8,286,519. The difference between final budgeted receipts and actual receipts was primarily due to higher property taxes, interest, and miscellaneous amounts being collected.

Final disbursements were budgeted at \$9,893,297 while actual disbursements were \$7,999,192. The School District was able to restrict spending below what was anticipated. The School District experienced lower instruction and support services expenditures than expected and also had over \$1,044,924 in capital outlay expenditures that was lower than expected. The School District appropriates conservatively in order to cover expenditures.

DEBT ADMINISTRATION

At June 30, 2007, the School District's outstanding debt included \$7,087,111 in general obligation bonds and energy conservation loans issued for improvements to buildings and structures, and \$49,333 in an operating lease for facilities. For further information regarding the School District's debt, refer to Notes 12 and 13 to the basic financial statements.

CURRENT ISSUES

The challenge for all School Districts is to provide quality education to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for fiscal year 2012; therefore, the administration is looking for ways to delay the deficit by reducing expenditures through attrition and wise spending. The School District has also passed a permanent improvement levy for collection in 2008. This correlates with the pay off of the bond issue for the high school.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Paula M. Parish, Treasurer, Bluffton Exempted Village School District, 102 South Jackson St., Bluffton, Ohio 45817.

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,302,321</u></u>
Net Assets	
Restricted for:	
Debt Service	986,990
Capital Projects	1,810
Bus Purchase	10,484
Scholarships:	
Expendable	14,501
Other Purposes	55,657
Unrestricted	<u>2,232,879</u>
Total Net Assets	<u><u>\$3,302,321</u></u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

		Program Cash Receipts		Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$4,133,273	\$466,575	\$49,253	(\$3,617,445)
Special	559,466		310,482	(248,984)
Vocational	9,147		1,013	(8,134)
Other	239,671			(239,671)
Support Services:				
Pupil	204,820		718	(204,102)
Instructional Staff	511,784		151,834	(359,950)
Board of Education	31,399			(31,399)
Administration	742,358		5,000	(737,358)
Fiscal	231,352			(231,352)
Operation and Maintenance of Plant	934,843			(934,843)
Pupil Transportation	362,081		9,489	(352,592)
Central	8,009			(8,009)
Operation of Non-Instructional Services	2,416			(2,416)
Extracurricular Activities	317,751	89,211		(228,540)
Capital Outlay	329,811			(329,811)
Food Services	363,481	279,835	53,321	(30,325)
Debt Services:				
Principal Retirement	572,052			(572,052)
Interest and Fiscal Charges	310,102			(310,102)
Total Governmental Activities	9,863,816	835,621	581,110	(8,447,085)
		General Receipts		
		Property Taxes Levied for:		
				3,111,348
				728,028
				32,771
				4,350,039
				191,412
				149,128
				8,562,726
				309,811
				425,452
				2,876,869
				\$3,302,321

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$2,243,363	\$986,990	\$71,968	\$3,302,321
Total Assets	<u>2,243,363</u>	<u>986,990</u>	<u>71,968</u>	<u>3,302,321</u>
Fund Balances				
Reserved for Encumbrances	46,543		6,733	53,276
Reserve for Bus Purchase	10,484			10,484
Unreserved:				
Undesignated, Reported in:				
General Fund	2,186,336			2,186,336
Special Revenue Funds			63,425	63,425
Capital Project Fund			1,810	1,810
Debt Service Funds		986,990		986,990
Total Fund Balances	<u>\$2,243,363</u>	<u>\$986,990</u>	<u>\$71,968</u>	<u>\$3,302,321</u>

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts				
Property Taxes	\$3,111,348	\$728,028		\$3,839,376
Intergovernmental	4,398,098	175,104	\$357,947	4,931,149
Interest	135,364	53,897	2,151	191,412
Tuition	405,436			405,436
Classroom Materials and Fees	61,139			61,139
Extracurricular Activities			89,211	89,211
Charges for Services			279,835	279,835
Revenue in Lieu of Taxes	32,771			32,771
Miscellaneous	118,863		30,265	149,128
Total Cash Receipts	<u>8,263,019</u>	<u>957,029</u>	<u>759,409</u>	<u>9,979,457</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	4,062,243		71,030	4,133,273
Special	461,333		98,133	559,466
Vocational	9,147			9,147
Other	239,671			239,671
Support Services:				
Pupil	203,698		1,122	204,820
Instructional Staff	355,882		155,902	511,784
Board of Education	31,399			31,399
Administration	733,733		8,625	742,358
Fiscal	217,407	13,945		231,352
Operation and Maintenance of Plant	934,843			934,843
Pupil Transportation	362,081			362,081
Central	8,009			8,009
Operation of Non-Instructional Services			2,416	2,416
Operation of Food Services			363,481	363,481
Extracurricular Activities	214,108		103,643	317,751
Capital Outlay	20,000		309,811	329,811
Debt Service:				
Principal Retirement		572,052		572,052
Interest and Fiscal Charges		310,102		310,102
Total Cash Disbursements	<u>7,853,554</u>	<u>896,099</u>	<u>1,114,163</u>	<u>9,863,816</u>
Excess of Receipts Over (Under) Disbursements	409,465	60,930	(354,754)	115,641
Other Financing Sources (Uses)				
Note Proceeds			309,811	309,811
Advances In			24,000	24,000
Advances Out	(24,000)			(24,000)
Transfers In		50,445	1,150	51,595
Transfers Out	(51,595)			(51,595)
Total Other Financing Sources (Uses)	<u>(75,595)</u>	<u>50,445</u>	<u>334,961</u>	<u>309,811</u>
Net Change in Fund Balances	333,870	111,375	(19,793)	425,452
Fund Balances Beginning of Year	<u>1,909,493</u>	<u>875,615</u>	<u>91,761</u>	<u>2,876,869</u>
Fund Balances End of Year	<u>\$2,243,363</u>	<u>\$986,990</u>	<u>\$71,968</u>	<u>\$3,302,321</u>

See accompanying notes to the basic financial statements

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property Taxes	\$2,920,805	\$2,920,805	\$3,111,348	\$190,543
Intergovernmental	4,403,997	4,403,997	4,398,098	(5,899)
Interest	68,000	68,000	135,364	67,364
Tuition	267,000	432,000	405,436	(26,564)
Classroom Material and Fees	63,000	63,000	61,139	(1,861)
Revenue in Lieu of Taxes	49,000	49,000	32,771	(16,229)
Miscellaneous	10,500	10,500	118,863	108,363
Total Cash Receipts	<u>7,782,302</u>	<u>7,947,302</u>	<u>8,263,019</u>	<u>315,717</u>
Disbursements				
Current:				
Instruction:				
Regular	4,460,200	4,415,550	4,090,964	324,586
Special	537,595	559,295	461,333	97,962
Vocational	20,245	20,245	9,147	11,098
Adult/Continuing	1,000	1,000		1,000
Other	98,000	263,000	239,671	23,329
Support Services:				
Pupil	330,873	317,873	204,227	113,646
Instructional Staff	391,012	391,012	356,890	34,122
Board of Education	37,920	37,920	31,399	6,521
Administration	779,954	802,754	743,794	58,960
Fiscal	258,588	251,588	219,106	32,482
Operation and Maintenance of Plant	993,623	1,011,603	938,368	73,235
Pupil Transportation	398,379	406,379	363,081	43,298
Central	13,280	13,280	8,009	5,271
Extracurricular Activities	222,355	227,505	214,108	13,397
Capital Outlay	1,135,299	1,064,924	20,000	1,044,924
Total Disbursements	<u>9,678,323</u>	<u>9,783,928</u>	<u>7,900,097</u>	<u>1,883,831</u>
Excess of Receipts Over (Under) Disbursements	(1,896,021)	(1,836,626)	362,922	2,199,548
Other Financing Sources (Uses)				
Advances In	34,000	34,000	23,500	(10,500)
Advances Out	(34,000)	(48,000)	(47,500)	500
Transfers Out	(15,974)	(61,369)	(51,595)	9,774
Refund of Prior Year Expenditures	2,500	2,500		(2,500)
Total Other Financing Sources (Uses)	<u>(13,474)</u>	<u>(72,869)</u>	<u>(75,595)</u>	<u>(2,726)</u>
Net Change in Fund Balance	(1,909,495)	(1,909,495)	287,327	2,196,822
Fund Balance Beginning of Year	1,855,862	1,855,862	1,855,862	
Prior Year Encumbrances Appropriated	<u>53,631</u>	<u>53,631</u>	<u>53,631</u>	
Fund Balance End of Year	<u>(\$2)</u>	<u>(\$2)</u>	<u>\$2,196,820</u>	<u>\$2,196,822</u>

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,703</u>	<u>\$33,122</u>
Net Assets		
Held for Students		33,122
Held in Trust for Scholarships:		
Expendable	703	
Non expendable	<u>10,000</u>	
	<u>\$10,703</u>	<u>\$33,122</u>

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Private Purpose Trust</u>
Additions	
Investment Income	\$541
Total Additions	<u>541</u>
Operating Disbursements	
Scholarship	800
Total Operating Disbursements	<u>800</u>
Change in Net Assets	(259)
Net Assets - Beginning of Year	<u>10,962</u>
Net Assets - End of Year	<u><u>\$10,703</u></u>

See accompanying notes to the basic financial statements.

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1861 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 57.5 square miles. It is located in Allen and Hancock counties and includes the entire Village of Bluffton, all of Richland Township, and portions of Monroe and Orange Townships. The School District is the 446 largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 43 classified employees, 72 certified teaching personnel, and 6 administrative employees who provide services to 1132 students and other community members. The School District currently operates 3 buildings.

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

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Bluffton Exempted Village School District, this includes general operations, food service, and student related activities.

B. Component Units

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

C. Jointly Governed Organizations

The School District participates in five jointly governed organizations and two public entity risk pools, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Ohio Special Education Regional Resource Center (SERRC), West Central Ohio Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., Allen County Schools Health Benefit Plan, Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program, and Bluffton-Richland Public Library. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989. Following are the more significant of the School District's accounting policies.

A. Basis Of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

2. Fiduciary Funds

Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's Private Purpose Trust Fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's Agency Fund accounts for various student-managed activities.

C. Basis Of Accounting

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

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

D. Budgetary Process

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

E. Cash And Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During fiscal year 2007, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2007 was \$135,364, which includes \$7,901 assigned from other funds. Other School District funds had interest receipts of \$56,048.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets/Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets were restricted for capital projects, for a bus purchase, and scholarships. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. At June 30, 2007, the School District had no funds that were restricted by enabling legislation.

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions To Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT Accounting Policies (Continued)

M. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and for a bus purchase.

N. Interfund Transactions

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

3. ACCOUNTABILITY AND COMPLIANCE

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

4. BUDGETARY BASIS OF ACCOUNTING

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

Difference in Fund Balance	
Cash Basis	\$2,243,363
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End	(46,543)
Budget Basis	<u>\$2,196,820</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

A. Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$2,694,291. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance of \$3,525,429 was not exposed to custodial credit risk because it was insured with a \$4,000,000 Bank Deposit Guaranty Bond through the Kansas Bankers Surety Company.

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

B. Investments

As of June 30, 2007, the carrying value of funds on deposit with Star Ohio was \$651,255. The School District's investments in Star Ohio have an average maturity of 38.56 days. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006.

Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen and Hancock counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$ 84,103,090	66.40%	\$ 92,501,650	73.04%
Industrial/Commercial	15,483,920	12.23%	18,056,440	14.26%
Public Utility Property	45,750	.04%	62,040	.05%
Tangible Personal Property	27,016,440	21.33%	16,016,408	12.65%
Total Assessed Value	<u>\$126,649,200</u>	<u>100.00%</u>	<u>\$126,636,538</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.10		\$42.74	

7. REVENUE IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2007 were \$32,771.

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Schools of Ohio Risk Sharing Authority for the following insurance coverage:

Building and Contents - Replacement Cost	\$ 37,179,580
Automobile Liability	11,000,000
General Liability	
Per Occurrence	11,000,000
Aggregate	13,000,000

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

For fiscal year 2007, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Program.

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$106,845, \$100,658, and \$94,563, respectively; 28 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (STRS)

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$516,724, \$511,368, and \$506,480, respectively; 82 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$49 made by the School District and \$1,033 made by the plan members.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid for anyone electing to contribute to Social Security.

10. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$39,748 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$48,300.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently eligible to receive health care benefits.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 1,150
Transfers to Major Debt Service funds from:	
General Fund	50,445
Advances to Nonmajor Governmental funds from:	
General Fund	24,000

Transfers are used to move unrestricted cash receipts collected in the general fund to other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Advances were made between the General Fund and the other governmental non major funds. As of June 30, 2007, the Lunchroom Fund owes the General Fund \$34,000 in outstanding advances.

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

12. LONG TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

<u>Governmental Activities</u>	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds					
1986 School Improvement	\$ 585,000		\$195,000	\$390,000	\$195,000
2005 School Improvement					
Serial Bonds 3.0 – 3.75%	3,715,000		300,000	3,415,000	\$305,000
Term Bonds - 4.125%	885,000			885,000	
Capital Appreciation Bonds – 25.6%	79,641			79,641	
Accretion on Capital Bonds	23,618	\$28,132		51,750	
Total School Improvement Bonds	5,288,259	28,132	495,000	4,821,391	500,000
Library Construction Bonds-4.92%	1,810,000		45,000	1,765,000	45,000
Environmental Protection Agency					
1988 Asbestos Removal Loan 0%	13,313		8,874	4,439	4,439
Energy Conservation Financing Pro.					
2006 HB 264 Loan – 5.0%	*209,648	309,811	23,178	496,281	24,798
Total Governmental Activities	\$7,321,220	\$ 337,943	\$ 572,052	\$7,087,111	\$ 574,237
Long-Term Liabilities	\$7,321,220	\$ 337,943	\$ 572,052	\$7,087,111	\$ 574,237

*Portion of proceeds received in fiscal year 2006 is now reflected as a beginning balance.

1986 School Improvement Bonds- In 1986, the School District issued \$4,200,000 in general obligation for school building construction. These general obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. LONG TERM OBLIGATIONS (Continued)

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

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

Unless otherwise called for redemption, the remaining \$440,000 principal amount of the Bonds due December 2021 is to be paid at stated maturity.

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

The capital appreciation bonds were sold at a premium of \$877,362. The capital appreciation bonds are not subject to redemption until maturity and will mature in fiscal years 2016 through 2019. The maturity amount of the bonds is \$1,785,000. For fiscal year 2007, the accretion was \$28,132 and the total accreted bond value was \$131,391.

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

Environmental Protection Agency Loan - this loan, in the amount of \$159,735, 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.

Energy Conservation HB264 Loan – the loan was obtained for energy conserving measures in accordance with the House Bill 264 School Energy Conservation Financing Program, at a 5% rate of interest. The School District was awarded \$519,301. Of this amount \$309,811 was received in fiscal year 2007 and \$209,648 was received in fiscal year 2006. The loan will be retired from the debt service fund with payments beginning in August 2006. After five years, fiscal year 2012, the School District has the option of renegotiating the loan and extending the balance.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2007, were as follows:

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. LONG TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2008	\$545,000	\$224,352		\$36,506
2009	570,000	197,471		36,506
2010	395,000	177,393		36,506
2011	410,000	164,115		36,506
2012	435,000	149,678		36,506
2013-2017	2,025,000	494,970		182,532
2018-2022	405,000	273,763	\$885,000	145,923
2023-2027	530,000	146,300		
2028-2029	255,000	14,162		
Totals	\$5,570,000	\$1,842,204	\$885,000	\$510,985

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loan
	Principal	Interest	Principal
2008			\$4,439
2013-2017	\$28,574	\$ 436,426	
2018-2022	51,067	1,268,933	
Totals	\$79,641	\$1,705,359	\$4,439

Fiscal Year Ending	Energy Conservation HB264 Loan	
	Principal	Interest
2008	\$ 24,798	\$24,724
2009	26,152	23,369
2010	27,510	22,012
2011	28,937	20,585
2012	388,884	1,626
Totals	\$496,281	\$92,316

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

The School District has defeased certain debt issues by placing cash with a trustee in an amount sufficient to pay all debt principal and interest when they come due. The principal amount of the defeased debt outstanding at June 30, 2007 was \$4,379,641. The cash and investments held by the trustee are not included in the School District's assets nor are the outstanding bonds included above.

The School District's overall debt margin was \$5,348,919 with an unvoted debt margin of \$126,637 at June 30, 2007.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. OPERATING LEASE

The School District leases a facility under a cancelable lease. The School District disbursed \$20,000 to pay lease costs for the fiscal year ended June 30, 2007. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$20,000
2009	20,000
2010	9,333
Total	<u>\$49,333</u>

14. SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2006	(\$ 92,437)	*(\$209,490)
Current Year Set Aside Requirement	167,573	167,573
Current Year Offset		(309,811)
Qualifying Cash Disbursements	(202,100)	(227,101)
Set Aside Reserve Balance June 30, 2007	<u>(\$126,964)</u>	<u>(\$578,829)</u>
Amount Carried Forward to Fiscal Year 2008	<u>(\$126,964)</u>	<u>(\$519,301)</u>

The School District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. For capital improvements, the extra amount was the result of debt proceeds from the current and prior year (offset), which can be used to reduce the set aside requirements of future years. *The beginning capital improvement balance has been adjusted since it included the proceeds of debt issued prior to the requirement to set aside money each year.

15. JOINTLY GOVERNED ORGANIZATIONS

A. 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 THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Northwest Ohio Area Computer Services Cooperative

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

C. 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 Margaret Grim, Treasurer, at the Auglaize County Educational Service Center, 1045 Dearbaugh Ave., Suite 2, Wapakoneta, Ohio 45895.

D. West Central Ohio Regional Professional Development Center

The 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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

16. PUBLIC ENTITY RISK POOLS

A. Allen County Schools Health Benefit Plan

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

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

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

The School 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.

17. RELATED ORGANIZATION

Bluffton-Richland Public Library

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

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. CONTINGENT LIABILITIES

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

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Mary Taylor, CPA

Auditor of State

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

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 the governmental activities, each major fund, and the aggregate remaining fund information of Bluffton Exempted Village School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2008, wherein we noted the School District uses a comprehensive basis of accounting other than 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School district's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School district's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School district's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted a certain noncompliance or other matter that we reported to the School District's management in a separate letter dated March 14, 2008.

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

We intend this report solely for the information and use of management and the Board of Education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 14, 2008

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

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

Ohio Adm. 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 prepared 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 and notes 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.

To help provide the users with more meaningful financial statements, the School District should prepare their financial statements according to generally accepted accounting principles.

OFFICIAL'S RESPONSE

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2007-001



Mary Taylor, CPA
Auditor of State

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 24, 2008**