



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 the Bluffton Exempted Village School District, Allen County, (the School District), as of and for the year ended June 30, 2006, 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 the Bluffton Exempted Village School District, Allen County, as of June 30, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the 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 8, 2007, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 8, 2007

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
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, 2006, 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 2006 are as follows:

- In total, net assets increased \$171,906, or a 6 percent change from the prior year. The School District's general receipts are primarily property taxes and unrestricted state entitlements, which make up 83 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 YEAR ENDED JUNE 30, 2006
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 2006, 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 - Most 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 YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared with fiscal year 2005:

(Table 1)
Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Assets		
Cash and Cash Equivalents	<u>\$2,876,869</u>	<u>\$2,704,963</u>
Net Assets		
Restricted for:		
Debt Service	875,615	888,924
Scholarships:		
Expendable	15,485	16,426
Other Purposes	76,276	86,451
Unrestricted	<u>1,909,493</u>	<u>1,713,162</u>
Total Net Assets	<u>\$2,876,869</u>	<u>\$2,704,963</u>

As mentioned previously, net assets of governmental activities increased \$171,906, or 6 percent during fiscal year 2006, due in part, to an increase in property tax receipts and a decrease in required debt payments because of a refunding bond issue.

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

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 849,259	\$ 669,154
Operating Grants and Contributions	602,764	601,700
Total Program Receipts	<u>1,452,023</u>	<u>1,270,854</u>
General Receipts:		
Property and Other Local Taxes	3,927,257	4,041,889
Grants and Entitlements Not Restricted to Specific Programs	4,104,016	4,064,952
Interest	130,544	50,226
Miscellaneous	42,034	44,181
Total General Receipts	<u>8,203,851</u>	<u>8,201,248</u>
Other Receipts:		
Note Proceeds	209,490	
Refunding Bonds Issued		5,034,641
Premium on Refunding Bonds Issued		877,362
Total Other Receipts	<u>209,490</u>	<u>5,912,003</u>
Total Receipts	<u>9,865,364</u>	<u>15,384,105</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

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

Cash Disbursements:	Governmental Activities 2006	Governmental Activities 2005
Instruction:		
Regular	4,198,945	4,030,458
Special	485,550	520,577
Vocational	78,120	76,330
Adult/Continuing	195	
Other	72,119	88,651
Support Services:		
Pupil	189,642	187,559
Instructional Staff	497,837	478,400
Board of Education	24,204	50,839
Administration	693,443	690,117
Fiscal	225,940	213,214
Operation and Maintenance of	914,653	884,777
Pupil Transportation	455,451	381,903
Central	5,412	2,351
Non-Instructional Services	3,816	2,287
Extracurricular Activities	309,825	301,518
Refund of Prior Year Receipts	0	28
Capital Outlay	229,490	11,667
Food Services	375,131	351,210
Debt Service:		
Principal Retirement	603,874	443,874
Interest and Fiscal Charges	329,811	299,124
Issuance Costs		102,622
Payment to Escrow Agent		5,809,381
Total Disbursements	<u>9,693,458</u>	<u>14,926,887</u>
Increase in Net Assets	171,906	457,218
Net Assets, July 1, 2005	<u>2,704,963</u>	<u>2,247,745</u>
Net Assets, June 30, 2006	<u><u>\$ 2,876,869</u></u>	<u><u>\$ 2,704,963</u></u>

Program receipts represent only 15 percent in fiscal year 2006 and 13 percent in fiscal year 2005 of total cash receipts. Program receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales. General receipts represent 85 percent in fiscal year 2006 and 87 percent in fiscal year 2005 of the School District's total program and general receipts, and of this amount, over 50 percent for both fiscal year 2006 and fiscal year 2005 is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and other local taxes basically make up over 48 percent in fiscal year 2006 and 49 percent in fiscal year 2005 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 year 2006 and 52 percent of all governmental disbursements less debt issuance costs in fiscal year 2005. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 12 percent of governmental disbursements less issuance of debt disbursements in fiscal years 2006 and 2005.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

Maintenance of the School District's facilities also represents a significant expense, 9 percent in fiscal year 2006 and 10 percent in fiscal year 2005. Therefore, over 74 percent in fiscal year 2006 and 74 percent in fiscal year 2005 of the School District's governmental disbursements less issuance of debt disbursements are related to the primary functions of providing facilities and delivering education.

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 33 percent in fiscal year 2006, 52 and 32 percent of all governmental disbursements in fiscal year 2005, less debt issuance costs, respectively. Debt services also represent a significant cost, about 10 percent in fiscal year 2006 and 8 percent in fiscal year 2005.

The next three 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 of Services 2006	Net Cost Of Services	Total Cost of Services 2005	Net Cost Of Services
Instruction				
Regular	\$4,198,945	\$3,689,039	\$4,030,458	\$3,651,899
Special	485,550	178,152	520,577	221,898
Vocational	78,120	51,318	76,330	48,374
Adult/Continuing	195	195		
Other	72,119	72,119	88,651	88,651
Support Services				
Pupil	189,642	187,799	187,559	187,179
Instructional Staff	497,837	336,077	478,400	331,697
Board of Education	24,204	24,204	50,839	50,839
Administration	693,443	688,443	690,117	685,117
Fiscal	225,940	225,940	213,214	213,214
Operation and Maintenance of Plant	914,653	914,653	884,777	884,777
Pupil Transportation	455,451	450,884	381,903	372,246
Central	5,412	5,412	2,351	2,351
Non-instructional Services	3,816	3,816	2,287	2,287
Extracurricular Activities	309,825	204,132	301,518	217,329
Refund of Prior Year Expenditures			28	28
Capital Outlay	229,490	229,490	11,667	11,667
Food Services	375,131	46,077	351,210	31,479
Debt Service:				
Principal Retirement	603,874	603,874	443,874	443,874
Interest and Fiscal Charges	329,811	329,811	299,124	299,124
Issuance Costs			102,622	102,622
Payment to Escrow Agent			5,809,381	5,809,381
Total Expenses	<u>\$9,693,458</u>	<u>\$8,241,435</u>	<u>\$14,926,887</u>	<u>\$13,656,033</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

The dependence upon property tax receipts is apparent as over 85 percent in fiscal year 2006 and 91 percent in fiscal year 2005 of governmental activities are supported through these general receipts. Over 82 percent in fiscal year 2006 and 85 percent in fiscal year 2005 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 \$10,000 from the general fund. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Over 34 percent in fiscal year 2006 and 27 percent in fiscal year 2005 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 Bluffton Exempted Village 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 \$9,865,364 and disbursements of \$9,693,458. The positive change of \$171,906 in fund balance for the 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 2006, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were budgeted at \$7,829,800 while actual receipts were \$7,975,313. The difference between final budgeted receipts and actual receipts was primarily due to higher tuition amounts being collected and increased interest earnings.

Final disbursements were budgeted at \$9,542,962 while actual disbursements were \$7,832,613. 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 \$1,050,000 in capital outlay expenditures that was lower than expected. The School District appropriates conservatively in order to cover expenditures.

DEBT ADMINISTRATION

At June 30, 2006, the School District's outstanding debt included \$7,111,572 in general obligation bonds issued for improvements to buildings and structures, and \$69,333 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 2011; therefore, the administration is looking for ways to delay the deficit by reducing expenditures through attrition and wise spending. The School District is also considering the option to run 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 YEAR ENDED JUNE 30, 2006
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, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,876,869</u></u>
Net Assets	
Restricted for:	
Debt Service	875,615
Scholarships:	
Expendable	15,485
Other Purposes	76,276
Unrestricted	<u>1,909,493</u>
Total Net Assets	<u><u>\$2,876,869</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, 2006**

		Program Cash Receipts		Net (Disbursements)
Governmental Activities	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Current:				
Instruction:				
Regular	\$4,198,945	\$480,542	\$29,364	(\$3,689,039)
Special	485,550		307,398	(178,152)
Vocational	78,120		26,802	(51,318)
Adult/Continuing	195			(195)
Other	72,119			(72,119)
Support Services:				
Pupil	189,642		1,843	(187,799)
Instructional Staff	497,837		161,760	(336,077)
Board of Education	24,204			(24,204)
Administration	693,443		5,000	(688,443)
Fiscal	225,940			(225,940)
Operation and Maintenance of Plant	914,653			(914,653)
Pupil Transportation	455,451		4,567	(450,884)
Central	5,412			(5,412)
Operation of Non-Instructional Services	3,816			(3,816)
Extracurricular Activities	309,825	105,693		(204,132)
Capital Outlay	229,490			(229,490)
Food Services	375,131	263,024	66,030	(46,077)
Debt Services:				
Principal Retirement	603,874			(603,874)
Interest and Fiscal Charges	329,811			(329,811)
Total Governmental Activities	9,693,458	849,259	602,764	(8,241,435)
		General Receipts		
		Property Taxes Levied for:		
				3,103,557
			General Purposes	
			Debt Service	775,274
			Payment in Lieu of Taxes	48,426
			Grants and Entitlements not	
			Restricted to Specific Programs	4,104,016
			Interest	130,544
			Miscellaneous	42,034
				8,203,851
			Total General Receipts	
			Note Proceeds	209,490
				171,906
			Change in Net Assets	
			Net Assets Beginning of Year	2,704,963
				2,876,869
			Net Assets End of Year	\$2,876,869

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, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$1,909,493	\$875,615	\$91,761	\$2,876,869
Total Assets	<u>1,909,493</u>	<u>875,615</u>	<u>91,761</u>	<u>2,876,869</u>
Fund Balances				
Reserved for Encumbrances	53,631	2,594	325,078	381,303
Unreserved:				
Undesignated, Reported in:				
General Fund	1,855,862			1,855,862
Special Revenue Funds			61,009	61,009
Capital Project Fund			(309,811)	(309,811)
Debt Service Funds		873,021		873,021
Expendable Trust Funds			15,485	15,485
Total Fund Balances	<u>\$1,909,493</u>	<u>\$875,615</u>	<u>\$91,761</u>	<u>\$2,876,869</u>

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash Receipts				
Property Taxes	\$3,103,557	\$775,274		\$3,878,831
Intergovernmental	4,223,485	112,977	\$370,318	4,706,780
Interest	94,490	35,817	237	130,544
Tuition	419,057			419,057
Classroom Materials and Fees	61,485			61,485
Extracurricular Activities			105,693	105,693
Charges for Services			263,024	263,024
Revenue in Lieu of Taxes	48,426			48,426
Transportation Fees			807	807
Miscellaneous	8,778		30,414	39,192
Total Cash Receipts	<u>7,959,278</u>	<u>924,068</u>	<u>770,493</u>	<u>9,653,839</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	4,152,505		46,440	4,198,945
Special	382,820		102,730	485,550
Vocational	78,120			78,120
Adult/Continuing	195			195
Other	72,119			72,119
Support Services:				
Pupil	188,474		1,168	189,642
Instructional Staff	347,390		150,447	497,837
Board of Education	24,204			24,204
Administration	689,443		4,000	693,443
Fiscal	210,968	14,972		225,940
Operation and Maintenance of Plant	914,653			914,653
Pupil Transportation	455,451			455,451
Central	5,412			5,412
Operation of Non-Instructional Services			3,816	3,816
Operation of Food Services			375,131	375,131
Extracurricular Activities	201,348		108,477	309,825
Capital Outlay	20,000		209,490	229,490
Debt Service:				
Principal Retirement		603,874		603,874
Interest and Fiscal Charges		329,811		329,811
Total Cash Disbursements	<u>7,743,102</u>	<u>948,657</u>	<u>1,001,699</u>	<u>9,693,458</u>
Excess of Receipts Over (Under) Disbursements	216,176	(24,589)	(231,206)	(39,619)
Other Financing Sources (Uses)				
Note Proceeds			209,490	209,490
Advances In			10,000	10,000
Advances Out	(10,000)			(10,000)
Transfers In		11,280	600	11,880
Transfers Out	(11,880)			(11,880)
Refund of Prior Year Expenditures	2,035			2,035
Total Other Financing Sources (Uses)	<u>(19,845)</u>	<u>11,280</u>	<u>220,090</u>	<u>211,525</u>
Net Change in Fund Balances	196,331	(13,309)	(11,116)	171,906
Fund Balances Beginning of Year	<u>1,713,162</u>	<u>888,924</u>	<u>102,877</u>	<u>2,704,963</u>
Fund Balances End of Year	<u>\$1,909,493</u>	<u>\$875,615</u>	<u>\$91,761</u>	<u>\$2,876,869</u>

See accompanying notes to the basic financial statements.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Property Taxes	\$3,179,500	\$3,179,500	\$3,103,557	(\$75,943)
Intergovernmental	4,213,000	4,213,000	4,223,485	10,485
Interest	29,500	29,500	94,490	64,990
Tuition	261,000	261,000	419,057	158,057
Classroom Material and Fees	63,300	63,300	61,485	(1,815)
Revenue in Lieu of Taxes	49,000	49,000	48,426	(574)
Miscellaneous	10,500	10,500	8,778	(1,722)
Total Cash Receipts	<u>7,805,800</u>	<u>7,805,800</u>	<u>7,959,278</u>	<u>153,478</u>
Disbursements				
Current:				
Instruction:				
Regular	4,301,872	4,268,772	4,189,333	79,439
Special	560,413	560,413	382,820	177,593
Vocational	80,451	80,451	78,120	2,331
Adult/Continuing	1,000	1,000	195	805
Other	98,000	98,000	72,119	25,881
Support Services:				
Pupil	316,801	316,401	190,846	125,555
Instructional Staff	360,000	369,000	347,545	21,455
Board of Education	49,945	49,945	25,279	24,666
Administration	760,574	760,574	690,271	70,303
Fiscal	241,629	241,629	213,211	28,418
Operation and Maintenance of Plant	930,022	952,522	918,533	33,989
Pupil Transportation	422,607	494,657	461,171	33,486
Central	12,000	12,000	5,942	6,058
Extracurricular Activities	221,073	221,073	201,348	19,725
Capital Outlay	1,154,201	1,074,151	20,000	1,054,151
Total Disbursements	<u>9,510,588</u>	<u>9,500,588</u>	<u>7,796,733</u>	<u>1,703,855</u>
Excess of Receipts Over (Under) Disbursements	(1,704,788)	(1,694,788)	162,545	1,857,333
Other Financing Sources (Uses)				
Advances In	14,000	19,000	14,000	(5,000)
Advances Out	(14,000)	(24,000)	(24,000)	
Transfers Out	(13,374)	(18,374)	(11,880)	6,494
Refund of Prior Year Expenditures	5,000	5,000	2,035	(2,965)
Total Other Financing Sources (Uses)	<u>(8,374)</u>	<u>(18,374)</u>	<u>(19,845)</u>	<u>(1,471)</u>
Net Change in Fund Balance	(1,713,162)	(1,713,162)	142,700	1,855,862
Fund Balance Beginning of Year	1,662,306	1,662,306	1,662,306	
Prior Year Encumbrances Appropriated	50,856	50,856	50,856	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$1,855,862</u>	<u>\$1,855,862</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, 2006**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,962</u>	<u>\$35,890</u>
Net Assets		
Held for Students		35,890
Held in Trust for Scholarships:		
Expendable	962	
Non expendable	<u>10,000</u>	
	<u>\$10,962</u>	<u>\$35,890</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, 2006**

	<u>Private Purpose Trust</u>
Additions	
Investment Income	\$471
Total Additions	<u>471</u>
Change in Net Assets	471
Net Assets - Beginning of Year	<u>10,491</u>
Net Assets - End of Year	<u><u>\$10,962</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 YEAR ENDED JUNE 30, 2006**

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, 73 certified teaching personnel, and 6 administrative employees who provide services to 1144 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 YEAR ENDED JUNE 30, 2006
(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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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". During fiscal year 2006, the School District invested in nonnegotiable certificates of deposit, which are reported at cost, and in money market accounts.

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.

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 2006 was \$94,490, which includes \$5,021 assigned from other funds. Other School District funds had interest receipts of \$36,054.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Assets/Restricted 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. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements. 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, 2006, 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 YEAR ENDED JUNE 30, 2006
(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.

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:

Change in Fund Balance	
Cash Basis	\$1,909,493
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End	<u>(53,631)</u>
Budget Basis	<u><u>\$1,855,862</u></u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(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 YEAR ENDED JUNE 30, 2006
(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 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".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$2,923,121. 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 \$3,125,753 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.

Investments - The School District had no investments during fiscal year 2006.

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 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax receipts received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

6. PROPERTY TAXES (Continued)

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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$ 82,650,330	67.57%	\$ 84,103,090	66.40%
Industrial/Commercial	14,855,000	12.14%	15,483,920	12.23%
Public Utility Property	45,560	.04%	45,750	.04%
Tangible Personal Property	24,768,737	20.25%	27,016,440	21.33%
Total Assessed Value	<u>\$122,319,627</u>	<u>100.00%</u>	<u>\$126,649,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.71		\$43.10	

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 2006 were \$48,426.

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 2006, the School District contracted with Schools of Ohio Risk Sharing Authority for the following insurance coverage:

Building and Contents - Replacement Cost	\$30,554,171
Automobile Liability	5,000,000
General Liability	
Per Occurrence	5,000,000
Aggregate	7,000,000

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(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 2006, 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 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

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 2006, 10.58 percent of annual covered salary was the portion 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, 2006, 2005, and 2004 were \$100,658, \$94,563, and \$83,334, respectively; 28 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(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 divided by 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, 2006, 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 2005, 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, 2006, 2005, and 2004, were \$511,368, \$506,480, and \$485,537, respectively; 82 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. The full amount has been contributed for fiscal years 2006, 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$336 made by the School District and \$1,383 made by the plan members.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(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, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$39,336 for fiscal year 2006.

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

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. 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 2006 fiscal year equaled \$51,566.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

10. POSTEMPLOYMENT BENEFITS (Continued)

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, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next year's projected net health care costs. SERS has 59,492 participants currently eligible to receive health care benefits.

11. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$600
Transfers to Major Debt Service funds from:	
General Fund	11,280
Advances to Nonmajor Governmental funds from:	
General Fund	10,000

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.

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 2006 were as follows:

Governmental Activities	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Amounts Due Within One Year
General Obligation Bonds					
1986 School Improvement	\$ 780,000		\$195,000	\$585,000	\$195,000
2005 School Improvement					
Serial Bonds 3.0 – 3.75%	4,070,000		355,000	3,715,000	\$300,000
Term Bonds - 4.125%	885,000			885,000	
Capital Appreciation Bonds – 25.6%	79,641			79,641	
Accretion on Capital Bonds	1,509	22,109		23,618	
Total School Improvement Bonds	5,816,150	22,109	550,000	5,288,259	495,000
Library Construction Bonds-4.92%	1,855,000		45,000	1,810,000	45,000
Environmental Protection Agency					
1988 Asbestos Removal Loan 0%	22,187		8,874	13,313	8,874
Total Governmental Activities					
Long-Term Liabilities	<u>\$7,693,337</u>	<u>\$22,109</u>	<u>\$603,874</u>	<u>\$7,111,572</u>	<u>\$548,874</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

12. LONG TERM OBLIGATIONS (Continued)

1986 School Improvement Bonds- The 1986 outstanding general obligation bonds consist of a school building construction issue. 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.

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 2006, the accretion was \$22,109 and the total accreted bond value was \$103,259.

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

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

During fiscal year 2006, the School District was awarded \$519,301 to participate in the House Bill 264 School Energy Conservation Financing Program. Of this amount, \$209,490 was received in fiscal year 2006 with the project to be completed in fiscal year 2007. The loan will be retired from the debt service fund with payments beginning in August of 2007.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2006, were as follows:

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

12. LONG TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2007	\$540,000	\$250,659	\$0	\$36,506
2008	545,000	224,352	0	36,506
2009	570,000	197,471	0	36,506
2010	395,000	177,393	0	36,506
2011	410,000	164,115	0	36,506
2012-2016	2,390,000	577,466	0	182,532
2017-2021	385,000	295,297	445,000	173,352
2022-2026	500,000	174,623	440,000	9,077
2026-2030	375,000	31,487	0	0
Totals	\$6,110,000	\$2,092,863	\$885,000	\$547,491

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loan
	Principal	Interest	Principal
2007	\$0	\$0	\$8,874
2008	0	0	4,439
2017-2021	79,641	1,705,359	0
Totals	\$79,641	\$1,705,359	\$13,313

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, 2006 was \$4,679,641. 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 \$4,701,832 with an unvoted debt margin of \$121,269 at June 30, 2006.

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, 2006. Future lease payments are as follows:

Year	Amount
2007	\$20,000
2008	20,000
2009	20,000
2010	9,333
Total	\$ 69,333

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

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 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	\$ (80,485)	\$(1,309,284)
Current Year Set Aside Requirement	168,947	168,947
Current Year Offset		(543,005)
Qualifying Cash Disbursements	(180,899)	(168,947)
Amount Carried Forward to Fiscal Year 2007	\$ (92,437)	\$ (1,852,289)
Set Aside Reserve Balance June 30, 2006	\$ -	\$ -

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 acquisitions, the extra amount was the result of bond levy proceeds from current and prior years (offset), which can be used to reduce the set aside requirements of future years.

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.

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.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326.

D. West Central Ohio Regional Professional Development Center

The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting the Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

E. Northwestern Ohio Educational Research Council, Inc.

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

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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

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.

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.



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 the Bluffton Exempted Village School District, Allen County, (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2007, wherein, we noted the School District used 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 8, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance

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 2006-001. In a separate letter to the School District's management dated March 8, 2007, we reported a matter related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Bluffton Exempted Village School District
Allen County
Independent Accountants' Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 8, 2007

BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER - 2006-001

Report Presentation

Ohio Rev. Code Section 117.38 states, in part, 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.

The School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements 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.

Officials' Response:

The Bluffton Exempted Village School District plans to continue reporting using the cash basis of accounting because it is more cost efficient.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) GAAP filing required.	No	Repeated as Finding 2006-001



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 17, 2007**