



**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Bluffton Exempted Village School District, Allen County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bluffton Exempted Village School District, Allen County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 14, 2001

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**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Equity in Pooled Cash and Cash Equivalents	\$217,485	\$95,868	\$378,180	\$41,281
Receivables:				
Taxes	2,812,420		690,610	
Accounts	401			
Intergovernmental		15,987		
Accrued Interest	266		1,401	
Due From Other Funds	7,000			
Notes Receivable				
Prepaid Items	8,264			
Inventory Held for Resale				
Materials and Supplies Inventory	4,706			
Restricted - Equity in Cash	169,239			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Amount Available in Debt Service Fund				
Amount to be Provided from General Government Resources				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets and Other Debits	<u>3,219,781</u>	<u>111,855</u>	<u>1,070,191</u>	<u>41,281</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	58,721	11,795		13,741
Accrued Salaries and Benefits	529,547	8,249		
Due to Student Organizations				
Compensated Absences Payable	25,625			
Due To Other Funds				
Intergovernmental Payable	117,126	245		
Deferred Revenue	2,642,913		638,463	
Loans Payable				
Notes Payable				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>3,373,932</u>	<u>20,289</u>	<u>638,463</u>	<u>13,741</u>
Fund Equity (Deficit) and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings (Deficit)				
Reserve for Trusts				
Reserve for Encumbrances	37,061	22,400		5,495
Reserved for Inventory	4,706			
Reserve for Prepays	8,264			
Reserve for Debt Service			379,581	
Reserved for Property Taxes	169,507		52,147	
Reserved for Textbooks and Instructional Materials	62,604			
Reserved for Capital Maintenance	84,924			
Reserved for Budget Stabilization	21,711			
Unreserved Fund Balance	(542,928)	69,166		22,045
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity (Deficit) and Other Credits	<u>(154,151)</u>	<u>91,566</u>	<u>431,728</u>	<u>27,540</u>
Total Liabilities, Fund Equity (Deficit) and Other Credits	<u>\$3,219,781</u>	<u>\$111,855</u>	<u>\$1,070,191</u>	<u>\$41,281</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$31,097	\$49,135			\$813,046
				3,503,030
				401
5,852				21,839
	646			2,313
				7,000
	4,268			4,268
				8,264
4,496				4,496
				4,706
				169,239
175,782		\$14,554,948		14,730,730
			\$431,728	431,728
			7,393,230	7,393,230
<u>217,227</u>	<u>54,049</u>	<u>14,554,948</u>	<u>7,824,958</u>	<u>27,094,290</u>
912				85,169
18,398	4			556,198
	35,317			35,317
16,001			244,437	286,063
7,000				7,000
16,040			51,027	184,438
1,362				3,282,738
			70,000	70,000
			57,683	57,683
			7,401,811	7,401,811
<u>59,713</u>	<u>35,321</u>		<u>7,824,958</u>	<u>11,966,417</u>
		14,554,948		14,554,948
240,611				240,611
(83,097)				(83,097)
	10,000			10,000
				64,956
				4,706
				8,264
				379,581
				221,654
				62,604
				84,924
				21,711
	8,728			(442,989)
<u>157,514</u>	<u>18,728</u>	<u>14,554,948</u>		<u>15,127,873</u>
<u>\$217,227</u>	<u>\$54,049</u>	<u>\$14,554,948</u>	<u>\$7,824,958</u>	<u>\$27,094,290</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Type				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$2,636,390		\$677,970			\$3,314,360
Tuition and Fees	65,683					65,683
Intergovernmental	3,613,450	\$167,337	70,529	\$84,000		3,935,316
Interest	51,999		24,602		\$531	77,132
Rent	3,099					3,099
Extracurricular Activities		96,598				96,598
Gifts and Donations	50	4,784			398	5,232
Customer Services	1,287	20,746				22,033
Miscellaneous	13,879				2,384	16,263
Total Revenues	6,385,837	289,465	773,101	84,000	3,313	7,535,716
Expenditures:						
Current:						
Instruction:						
Regular	3,367,174	102,860		12,251		3,482,285
Special	318,937	40,748				359,685
Vocational	61,083					61,083
Adult/Continuing	800	2				802
Other	61,062					61,062
Support Services:						
Pupils	234,945	49,669				284,614
Instruction	295,653	28,862			4	324,519
Board of Education	19,273					19,273
School Administration	594,866	5,347				600,213
Fiscal	140,212		12,902			153,114
Operation and Maintenance of Plant	629,432	1,693		17,029		648,154
Pupil Transportation	328,584					328,584
Central Services	6,934					6,934
Non-Instructional Services	1,000				2,000	3,000
Extracurricular Activities	172,511	112,124				284,635
Capital Outlay				44,749		44,749
Debt Service:						
Principal Retirement			373,874			373,874
Interest and Fiscal Charges			431,017			431,017
Total Expenditures	6,232,466	341,305	817,793	74,029	2,004	7,467,597
Excess of Revenues Over (Under) Expenditures	153,371	(51,840)	(44,692)	9,971	1,309	68,119
Other Financing Sources (Uses):						
Operating Transfers In	2,341	1,400	49,156			52,897
Proceeds From Sale of Fixed Assets	175	800				975
Other Financing Sources	195					195
Operating Transfers Out	(53,066)	(2,341)				(55,407)
Total Other Financing Sources (Uses)	(50,355)	(141)	49,156			(1,340)
Excess of Revenues and Other Sources Over(Under) Expenditures and Other Uses	103,016	(51,981)	4,464	9,971	1,309	66,779
Fund Balances at Beginning of Year	(257,167)	143,547	427,264	17,569	6,899	338,112
Fund Balances at End of Year	(\$154,151)	\$91,566	\$431,728	\$27,540	\$8,208	\$404,891

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

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**BLUFFTON VILLAGE EXEMPTED SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$2,521,000	\$2,660,565	\$139,565			
Tuition and Fees	149,000	65,682	(83,318)	\$500		(\$500)
Intergovernmental	3,441,000	3,613,450	172,450	167,337	\$151,350	(15,987)
Interest	42,200	51,733	9,533			
Rent	3,500	2,944	(556)			
Extracurricular Activities				84,500	94,924	10,424
Gifts and Donations		50	50	27,000	4,784	(22,216)
Customer Services	3,000	1,287	(1,713)	24,000	22,178	(1,822)
Miscellaneous	700	459	(241)			
Total Revenues	<u>6,160,400</u>	<u>6,396,170</u>	<u>235,770</u>	<u>303,337</u>	<u>273,236</u>	<u>(30,101)</u>
Expenditures:						
Current:						
Instruction:						
Regular	3,320,127	3,309,968	10,159	126,379	110,981	15,398
Special	315,473	315,473		40,716	34,567	6,149
Vocational	60,428	60,428				
Adult/Continuing	800	800				
Other	73,723	87,221	(13,498)			
Support Services:						
Pupils	235,126	235,126		49,669	49,669	
Instruction	303,989	303,834	155	41,098	29,956	11,142
Board of Education	16,438	16,438				
Administration	593,723	593,723		8,448	5,565	2,883
Fiscal	142,496	142,496				
Business						
Operation and Maintenance	682,245	666,308	15,937	2,000	1,693	307
Transportation	343,265	343,265				
Central Services	7,347	7,347				
Non-Instructional Services	1,000	1,000				
Extracurricular Activities	174,653	174,518	135	142,064	135,318	6,746
Capital Outlay						
Debt Service:						
Principal						
Interest						
Total Expenditures	<u>6,270,833</u>	<u>6,257,945</u>	<u>12,888</u>	<u>410,374</u>	<u>367,749</u>	<u>42,625</u>
Excess of Revenues Over (Under) Expenditures	<u>(110,433)</u>	<u>138,225</u>	<u>248,658</u>	<u>(107,037)</u>	<u>(94,513)</u>	<u>12,524</u>
Other Financing Sources (Uses):						
Advances In	25,500	18,500	(7,000)			
Transfers In	7,000	2,341	(4,659)	1,400	1,400	
Refund of Prior Year Expenditures	15,000	24,058	9,058		1,072	1,072
Proceed from Sale of Fixed Assets	100	175	75	500	800	300
Refund of Prior Year Receipts						
Transfers Out	(53,066)	(53,066)		(2,341)	(2,341)	
Advances Out	(25,500)	(25,500)				
Other Financing Sources	250	195	(55)			
Total Other Financing Sources (Uses)	<u>(30,716)</u>	<u>(33,297)</u>	<u>(2,581)</u>	<u>(441)</u>	<u>931</u>	<u>1,372</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(141,149)</u>	<u>104,928</u>	<u>246,077</u>	<u>(107,478)</u>	<u>(93,582)</u>	<u>13,896</u>
Fund Balances (Deficit) at Beginning of Year	115,242	115,242		121,964	121,964	
Prior Year Encumbrances Appropriated	70,771	70,771		33,291	33,291	
Fund Balances (Deficit) at End of Year	<u>\$44,864</u>	<u>\$290,941</u>	<u>\$246,077</u>	<u>\$47,777</u>	<u>\$61,673</u>	<u>\$13,896</u>

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

Governmental Fund Types						Fiduciary Fund Types		
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$637,350	\$681,417	\$44,067						
65,300	70,529	5,229	\$68,500	\$84,000	\$15,500			
27,000	23,201	(3,799)						
						\$500	\$398	(\$102)
						2,000	2,385	385
729,650	775,147	45,497	68,500	84,000	15,500	2,500	2,783	283
			17,250	17,206	44			
						5,016	2,000	3,016
345,585	12,902	332,683						
			24,974	24,974				
			44,750	44,749	1			
373,874	373,874							
431,030	431,017	13						
1,150,489	817,793	332,696	86,974	86,929	45	5,016	2,000	3,016
(420,839)	(42,646)	378,193	(18,474)	(2,929)	15,545	(2,516)	783	3,299
49,169	49,156	(13)						
49,169	49,156	(13)						
(371,670)	6,510	378,180	(18,474)	(2,929)	15,545	(2,516)	783	3,299
371,670	371,670		244	244		2,516	2,516	
			24,730	24,730				
\$0	\$378,180	\$378,180	\$6,500	\$22,045	\$15,545	\$0	\$3,299	\$3,299

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$299,289		\$299,289
Total Operating Revenues	<u>299,289</u>		<u>299,289</u>
Operating Expenses:			
Salaries	99,150		99,150
Fringe Benefits	48,298		48,298
Purchased Services	2,397		2,397
Materials and Supplies	22,477		22,477
Other	608		608
Cost of Sales	205,710		205,710
Depreciation	23,504		23,504
Total Operating Expenses	<u>402,144</u>		<u>402,144</u>
Operating Income (Loss)	<u>(102,855)</u>		<u>(102,855)</u>
Non-Operating Revenues and (Expenses):			
Federal Donated Commodities	24,539		24,539
Interest	1,578	\$520	2,098
Federal and State Subsidies	54,107		54,107
Loss on Disposal of Asset	(854)		(854)
Total Non-Operating Revenues and (Expenses)	<u>79,370</u>	<u>520</u>	<u>79,890</u>
Net Income (Loss)	(23,485)	520	(22,965)
Retained Earnings at Beginning of Year	<u>(59,612)</u>	<u>10,000</u>	<u>(49,612)</u>
Retained Earnings at End of Year	<u>(83,097)</u>	<u>10,520</u>	<u>(72,577)</u>
Contributed Capital at Beginning of Year	<u>240,611</u>		<u>240,611</u>
Contributed Capital at End of Year	<u>240,611</u>		<u>240,611</u>
Total Fund Equity at End of Year	<u><u>\$157,514</u></u>	<u><u>\$10,520</u></u>	<u><u>\$168,034</u></u>

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>			<u>Fiduciary Fund Type</u>		
	<u>Enterprise Funds</u>			<u>Non-Expendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$292,100	\$299,289	\$7,189			
Interest	1,200	1,578	378	\$400	\$520	\$120
Federal and State Subsidies	44,300	48,254	3,954			
Total Revenues	<u>337,600</u>	<u>349,121</u>	<u>11,521</u>	<u>400</u>	<u>520</u>	<u>120</u>
Expenditures:						
Salaries	108,688	102,911	5,777			
Fringe Benefits	47,800	45,393	2,407			
Purchased Services	3,674	3,505	169			
Materials and Supplies	223,773	213,070	10,703			
Other	1,458	608	850			
Capital Outlay	3,000		3,000			
Total Expenditures	<u>388,393</u>	<u>365,487</u>	<u>22,906</u>			
Operating Income (Loss)	<u>(50,793)</u>	<u>(16,366)</u>	<u>34,427</u>	<u>400</u>	<u>520</u>	<u>120</u>
Non-Operating Revenues and Expenses						
Advances In	25,500	25,500				
Advances Out	(25,500)	(18,500)	7,000			
Total Non-Operating Revenues and Expenses		<u>7,000</u>	<u>7,000</u>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,793)</u>	<u>(9,366)</u>	<u>41,427</u>	<u>400</u>	<u>520</u>	<u>120</u>
Fund Balance beginning of Year	9,341	9,341		10,000	10,000	
Prior Year Encumbrances Appropriated	22,653	22,653				
Fund Balance end of Year	<u>(\$18,799)</u>	<u>\$22,628</u>	<u>\$41,427</u>	<u>\$10,400</u>	<u>\$10,520</u>	<u>\$120</u>

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

**BLUFFTON VILLAGE EXEMPTED SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$299,289		\$299,289
Cash Payments to Suppliers for Goods and Services	(208,715)		(208,715)
Cash Payments to Employees for Services	(102,911)		(102,911)
Cash Payments for Employee Benefits	(45,393)		(45,393)
Net Cash Provided by (Used for) Operating Activities	(57,730)		(57,730)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	48,254		48,254
Advances In	25,500		25,500
Advances Out	(18,500)		(18,500)
Net Cash Provided by (Used for) Noncapital Financing Activities	55,254		55,254
Cash Flows from Investing Activities:			
Interest	1,578	\$520	2,098
Net Increase (Decrease) in Cash and Cash Equivalents	(898)	520	(378)
Cash and Cash Equivalents at Beginning of Year	31,995	10,000	41,995
Cash and Cash Equivalents at End of Year	31,097	10,520	41,617
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(102,855)		(102,855)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	23,504		23,504
Donated Commodities Used During Year	24,539		24,539
Changes in Assets and Liabilities:			
(Increase)/Decrease in Prepaid Items	2,386		2,386
(Increase)/Decrease in Inventory	13,600		13,600
Increase/(Decrease) in Accounts Payable	(15,269)		(15,269)
Increase/(Decrease) in Accrued Salaries and Benefits	352		352
Increase/(Decrease) in Compensated Absences Payable	4,167		4,167
Increase/(Decrease) in Intergovernmental Payables	(7,761)		(7,761)
Increase/(Decrease) in Deferred Revenue	(393)		(393)
Total Adjustments	45,125		45,125
Net Cash Provided by Operating Activities	(\$57,730)	\$0	(\$57,730)

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Bluffton Exempted Village School District is organized under Article VI, Sections 2 and 3 of the Constitution, and is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a rural community in Northwest Ohio. The District is the 442nd largest in the State of Ohio (among 613 Districts) in terms of enrollment. It is staffed by 43 non-certificated employees, 77 certificated full-time teaching personnel who provide services to 1,219 students and other community members.

A. Reporting Entity

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

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

The District is associated with seven organizations which are defined as jointly governed organizations, related organizations and public entity risk pools. These organizations include Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program, West Central Ohio Regional Professional Development Center, Allen County Schools Health Benefit Plan, West Central Ohio Special Education Regional Resources Center (SERRC) and Bluffton Richland Public Library. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Project Funds

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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

Enterprise Funds

Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary fund type and nonexpendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Allen County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function and object level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit. Non-negotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2001 was \$51,999, which included approximately \$21,302, assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and those not purchased from the pool, are reported as investments.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consists of donated food, purchased food, and school supplies held for resale and are expensed when used. There was no inventory in the governmental funds at June 30, 2001.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the creation of a reserve for budget stabilization, for the purchase of textbooks and other instructional materials and capital maintenance. The total restricted cash as of June 30, 2001, was \$169,239. See Note 15 for additional information regarding set-asides.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund.

All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- State Bus Purchase Allowance

Debt Service Fund

- State Property Tax Relief

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development Block Grant
- SchoolNet Professional Development
- ONEnet Connectivity
- Summer School Intervention
- Extended Learning Opportunity
- Safe Schools Help Line
- Education Management Information Systems
- Dwight Eisenhower Professional Development
- Title VI-B
- Title I
- Title VI
- Title VI-R
- Drug Free Schools
- Virtual Middle School

Capital Project Funds

- SchoolNet - Round 4
- SchoolNet Praise
- SchoolNet Assist
- ONEnet SchoolNet
- Interactive Video Distance Learning

Reimbursable Grants

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately fifty-two percent of the District's governmental operating revenue during the 2001 fiscal year.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2001, the balance of interfund assets/liabilities was \$7,000.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The transfers in and out on the accompanying financial statements do not balance due to a transfer from the general fund to an agency fund.

O. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaids, debt service, budget stabilization, textbooks and instructional materials, capital maintenance, property taxes, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENTS

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" and GASB Statement No. 36, "*Recipient Reporting for Certain Shared Nonexchange Revenues*".

GASB Statement No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available.

Implementing GASB Statement No. 33 and 36 had no material effect on the financial statements.

For the year 2001, the District elected to change its method of computing compensated absences from the vesting method to the termination method which are both acceptable reporting methods. The changes in accounting methods resulted in insignificant variances between prior amounts reported at June 30, 2000, and had no material impact on the proprietary fund type or the general long term debt account group.

The amounts reported at June 30, 2000, for the general fixed asset account group included items that should not have been capitalized such as software, textbooks, library books, and capitalized interest according to the District's fixed asset policy. The amount booked also included a bus that was no longer owned by the District.

The removal of these items resulted in a decrease of \$1,017,830 which restated the general fixed asset account group from \$15,391,709 to \$14,373,879, at June 30, 2000.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY

The General fund, Chapter 1 and Special Trust, special revenue funds, food service and uniform school supplies, enterprise funds, had deficit fund balances at June 30, 2001, of \$154,151, \$734, \$37, \$62,248 and \$20,849, respectively. The deficits resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis) Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

An analysis of the difference in fund balance at June 30, 2001, as determined under the GAAP basis and budget basis follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$103,016	\$(51,981)	\$4,464	9,971	\$1,309
Revenue Accruals	52,891	(15,157)	2,046	0	(530)
Expenditure Accruals	53,068	7,751	0	6,336	4
Prepays	(8,264)	0	0	0	0
Encumbrances	(95,783)	(34,195)	0	(19,236)	0
Budget Basis	<u>\$104,928</u>	<u>\$(93,582)</u>	<u>\$6,510</u>	<u>\$(2,929)</u>	<u>\$ 783</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Net Loss/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type and Nonexpendable Trust Fund**

	Enterprise	Nonexpendable Trust
GAAP Basis	\$(23,485)	\$520
Revenue Accrual	(4,892)	0
Expense Accrual	27,480	0
Encumbrances	(8,469)	0
Budget Basis	\$(9,366)	\$520

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

- a. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At fiscal year end, the District had \$600 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

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

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$981,685 and the bank balance was \$1,070,955. Of the bank balance, \$100,000 was covered by federal depository insurance and \$970,955, was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GAB Statement No. 9, *"Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."*

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 District. Real and public utility property tax revenues received in calendar year 2001, represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001, were levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes for calendar year 2001, were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2000.

Tangible personal property is currently assessed at 25 percent of true value. 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.

The District receives property taxes from Allen and Hancock Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2001, was \$169,507, in the General Fund and \$52,147 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2000, was \$193,682, in the General Fund and \$55,594, in the Bond Retirement debt service fund.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$69,652,750	72.91%	\$79,013,240	72.71%
Public Utility Personal	58,570	0.06%	52,960	0.05%
Tangible Personal Property	25,817,181	27.03%	29,604,946	27.24%
Total Assessed Value	<u>\$95,528,501</u>	<u>100.00%</u>	<u>\$108,671,146</u>	<u>100.00%</u>
 Tax rate per \$1,000 of Assessed Valuation	 \$45.82		 \$45.82	

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Special Revenue Fund	
Title 1	\$ 10,921
Title VI-R	<u>5,066</u>
Total Special Revenue	15,987
Enterprise Fund	
National School Lunch	<u>5,852</u>
Total	<u>\$21,839</u>

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$330,148
Less Accumulated Depreciation	<u>(154,366)</u>
Net Fixed Assets	<u>\$175,782</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land	\$873,105	\$0	\$0	\$873,105
Buildings	10,692,931	0	0	10,692,931
Building Improvement	507,932	0	0	507,932
Equipment	1,707,946	128,092	0	1,836,038
Vehicle	591,965	52,977	0	644,942
Totals	<u>\$14,373,879</u>	<u>\$181,069</u>	<u>\$0</u>	<u>\$14,554,948</u>

10. RISK MANAGEMENT

The 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.

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. During fiscal year 2001, the District purchased from Nationwide Insurance Company general liability insurance, which carried a \$2 million per occurrence and 5 million annual aggregate limit with an additional \$1 million umbrella coverage.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded.

Coverages were not significantly reduced from the prior year and settlement amounts did not exceed coverage amounts for each of the past three years.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 18). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to educational entities that can meet the Program's selection criteria. Each participant must apply annually. The Program provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

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

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$31,082, \$43,945, and \$55,656, respectively; 58.7 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$12,847, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$321,224, \$170,512, and \$180,199, respectively; 82.7 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$55,488, is recorded as a liability within the respective funds.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. 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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, five members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$152,159.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 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. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$88,055 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Sick Leave: Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for the year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to one hundred eighty-eight (188) days for both non-certified staff and certified staff.

Service Retirement: Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the end of retirement based on twenty-five percent (25%) of accumulative sick leave up to a maximum of 47 days. Employees must have ten years service with School system.

Non-Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on twenty-five percent (25%) of accumulative sick leave up to a maximum of 40 days. Employees must have ten years service with the School system.

B. Health Care Benefits

The District has elected to provide employee medical/surgical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Life insurance is provided through CoreSource.

14. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

General Long Term Obligations	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
General Obligation Bonds:				
1986 School Building Construction 8.00%; Matures 12/1/08	\$1,730,000	\$0	\$190,000	\$1,540,000
1997 Construction Bonds-Matures 12/21				
Serial Bonds 3.75-5.0%	1,535,000		140,000	1,395,000
Term Bonds 5.50%	4,125,000			4,125,000
Capital Appreciation Bonds 5.2-5.35%	314,900	26,911		341,811
Total General Obligation Bonds	7,704,900	26,911	330,000	7,401,811
Environmental Protection Agency				
1988 Asbestos Abatement Loan Interest Free; Matures 7/31/08	66,557	0	8,874	57,683
1993 Energy Conservation Note 5.50%; Matures 4/22/03	105,000	0	35,000	70,000
Intergovernmental Payable	45,745	51,027	45,745	51,027
Compensated Absences	172,660	71,777	0	244,437
Total General Long-Term Obligations	<u>\$8,094,862</u>	<u>\$149,715</u>	<u>\$419,619</u>	<u>\$7,824,958</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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

School Improvement General Obligation Bonds - On March 1, 1997, the District issued \$6,199,649 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$1,850,000, \$4,125,000 and \$224,649, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2016 (the 2016 Current Interest Term Bonds) are subject mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the District.

That mandatory redemption is to occur on December 1 in each of the years 2011 through 2015 (with the balance of \$385,000 to be paid at stated maturity on December 1, 2016) at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2011	\$285,000
2012	310,000
2013	325,000
2014	345,000
2015	365,000
2016	385,000

The term bonds maturing on December 1, 2021 (the 2021 Current Interest Term Bonds), are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund requirements of the District. That mandatory redemption is to occur on December 1 in each of the years 2017 through 2020 (with the balance of \$455,000 to be paid at stated maturity on December 1, 2021) at redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2017	\$380,000
2018	400,000
2019	425,000
2020	450,000
2021	455,000

Current interest term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

The Current Interest Bonds maturing on or after December 1, 2008 are also subject to prior redemption on or after December 1, 2007, by and at the sole option of the Board, either in whole on any date or in part (as selected by the Board) on any date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2008	101%
December, 2008 and thereafter	100%

The capital appreciation bonds will mature in fiscal years 2008 through 2010. The maturity amount of the bonds are \$260,000, for fiscal year 2008 and \$270,000, for fiscal years 2009 and 2010. Capital appreciation bonds are not subject to redemption prior to maturity. For fiscal year 2001, \$26,911 was accreted for a total bond value of \$341,811.

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

The Energy Conservation Note was obtained for funding energy conserving capital improvements in accordance with AM. Sub. H.B. 264. The loan will be retired from the debt service fund.

Intergovernmental Payable consist of amounts due outside of the available period of sixty days after year-end. The Intergovernmental Payable is made up of SERS employers benefits for August through December. Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The District's overall legal debt margin was \$2,165,403 with an unvoted debt margin of \$108,671 at June 30, 2001.

The annual requirements to amortize all bond and note debt outstanding as of June 30, 2001, including interest is as follows:

Fiscal Year Ending June 30, 2001	General Obligation Bonds	Notes	Loans	Total
2002	\$ 749,150	\$ 38,370	\$ 8,874	\$796,394
2003	741,715	36,445	8,874	787,034
2004	733,435	-	8,874	742,039
2005	724,380	-	8,874	733,254
2006	719,328	-	8,874	728,202
2007-2011	3,082,735	-	13,313	3,096,048
2012-2016	2,550,975	-	-	2,550,975
2017-2021	2,455,250	-	-	2,455,250
2022	<u>467,512</u>	<u>-</u>	<u>-</u>	<u>467,512</u>
Total	12,224,480	74,815	\$57,683	12,356,978
Less: Amount representing interest	<u>4,822,669</u>	<u>4,815</u>	<u>-</u>	<u>4,827,484</u>
Total	<u>\$ 7,401,811</u>	<u>\$ 70,000</u>	<u>\$57,683</u>	<u>\$7,529,494</u>

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. STATUTORY RESERVES

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance	Budget Stabilization Reserve	Restricted for Bus Purchase	Total
Balance 7/1/2000	\$56,804	\$(11,130)	\$90,097	\$21,865	\$157,636
Required Set-aside	142,561	142,561	0	0	285,122
Transfer to General Fund	0	0	(68,386)	0	(68,386)
Qualifying Expenditures	(136,761)	(46,507)	0	(21,865)	
Total	<u>\$62,604</u>	<u>\$84,924</u>	<u>\$21,711</u>	<u>\$0</u>	<u>\$169,239</u>
Cash balance carried to 2001	<u>\$62,604</u>	<u>\$84,924</u>	<u>\$21,711</u>	<u>\$0</u>	<u>\$169,239</u>

The Budget Stabilization reserve had a carryover balance of \$21,711, which represents the required set-aside for the Workers' Compensation portion.

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$262,233	\$37,056	\$299,289
Operating Expenses	339,083	63,061	402,144
Depreciation Expense	23,504	0	23,504
Operating Income (Loss)	(76,850)	(26,005)	(102,855)
Donated Commodities	24,539	0	24,539
Operating Grants	54,107	0	54,107
Interest	1,578	0	1,578
Net Income (Loss)	2,520	(26,005)	(23,485)
Net Working Capital	2,581	(20,849)	(18,628)
Total Assets	230,729	(13,502)	217,227
Total Equity	178,363	(20,849)	157,514
Encumbrances Outstanding at June 30, 2001 (Budget Basis)	\$1,129	\$7,340	\$8,469

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among member school districts, including both public school districts and county boards of education, in Allen, Auglaize, Hancock, Mercer, Paulding, Putnam, and Van Wert counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

Each school supports NOACSC based upon a per pupil charge. The Governing Board of NOACSC consists of two representatives from each county and one representative from the fiscal agent. The representatives from each county are elected by a majority vote of all county member schools. Financial information can be obtained from Michael Wildermuth, Director, at 645 South Main St., Lima, Ohio 45805.

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.

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

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

West Central Regional Professional Development Center (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 Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. INSURANCE PURCHASING POOLS

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

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust. Each school district decides which plan offered the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program - The District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site.

The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

19. RELATED ORGANIZATIONS

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 Bluffton Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bluffton-Richland Public Library, Ben Diepenbrock, Clerk/Treasurer, at 145 S. Main Street, Bluffton, Ohio 45817.

20. GRANTS

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the Bluffton Exempted Village School District, Allen County, (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2001.

Bluffton Exempted Village School District
Allen County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 14, 2001

**BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

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

Finding Number 2001-10202-001

Ohio Admin. Code Sections 3301-92-01(C)(D) and 3301-92-02(C)(D), states that the amount set-aside for textbook and instructional materials and capital maintenance shall be accounted for within the school district's general fund using a reasonable accounting method. The school district shall appropriate from the amount set-aside for textbook and instructional materials and capital maintenance and maintain appropriate accounting records for amounts expended. Any unexpended balance carried forward to the subsequent fiscal year does not reduce the amount of the set-aside required by section (C) of this rule.

A list of expenditures was provided as qualifying expenditures against both the textbook and instructional materials and capital maintenance set-asides. However, this list contained line item accounts and significant expenditures that did not qualify as offsets against the required set-asides. Therefore, the required amount was not spent for textbook and instructional materials or capital maintenance during fiscal year 2001. The result of the ineligible expenditures was that an amount was not set aside for textbook and instructional materials, nor was the required set-aside account established for capital maintenance.

	Textbook and Instructional Materials	Capital Maintenance
Carryover Amounts	\$ 56,804	\$ (11,130)
Amount Required to be Set-Aside	142,561	142,561
Expenditures Claimed	(146,674)	(141,850)
Expenditures Disallowed	9,913	95,343
Adjusted Set-Aside Amount	<u>\$ 62,604</u>	<u>\$ 84,924</u>

The District should establish the required set-aside cost centers, within the General Fund, and transfer the amounts to meet the above adjusted set-aside for each cost center. The expenditures used to offset the required set-aside should be closely reviewed to determine that only those that qualify are used as offsets.

The accompanying financial statements reflect the audit adjustments to establish the required set-aside.



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BLUFFTON EXEMPTED VILLAGE SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2002**