

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Members of Council
Village of Bluffton
P.O. Box 63
Bluffton, Ohio 45817

We have reviewed the *Independent Auditor's Report* of the Village of Bluffton, Allen County, prepared by E.S. Evans and Company for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Bluffton is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

November 28, 2006

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VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants and Consultants

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

May 31, 2006

INDEPENDENT AUDITOR'S REPORT

Village of Bluffton
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bluffton as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bluffton, as of December 31, 2005 and 2004, and the respective changes in modified cash basis financial position, thereof and the respective budgetary comparison for the General and Street Funds for the years then ended in conformity with the basis of accounting described in Note 2.

For the years ended December 31, 2004 and 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with Government Auditing Standards, we have also issued a report dated May 31, 2006 on our consideration of the Village of Bluffton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in red ink, appearing to read "E. S. Green and Company".

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

This discussion and analysis of the Village of Bluffton's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$294,416, or 9.4 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected most funds.

The Village's general receipts are primarily income taxes and intergovernmental. These receipts represent respectively 52.3 and 23.3 percent of the total cash received for governmental activities during the year. Income tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.

The water and sewer operations had increases of net assets of \$33,323 and \$397,848 respectively.

The Village has begun the purchase of the local airport with grants from the Federal Aviation Agency.

The Village has entered into an agreement with the Village of Ottawa for the purchase of water. Engineering of the waterline project is underway with the Village responsible for 71.1% of the cost.

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$568,908, or 22.3 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Airport Improvement Fund, which received a large grant in 2004 that will not be expended until 2005.

The Village's general receipts are primarily income taxes and intergovernmental. These receipts represent respectively 50.2 and 28.4 percent of the total cash received for governmental activities during the year. Income tax receipts for 2004 decreased by \$147,855 when compared to 2003. This decrease was a result of reduced net profits for businesses within the Village.

The water and sewer operations, two of the Village's business-type activities had decreases of net assets of \$4,812 and \$91,111 respectively.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Government as a Whole

The statements of net assets and the statements of activities reflect how the Village did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The Village has three business-type activities, the provision of water, sewer and refuse services. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's only major governmental funds are the General, Street, Airport Improvement and Town Hall Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Water and Sewer Funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2004 and 2005

The Village as a Whole

Table 1 provides a summary of the Village's net assets for years 2005, 2004, and 2003 on the modified cash basis of accounting.

Table 1
Net Assets

| | Governmental Activities | | |
|------------------------------------|-------------------------|---------------------|---------------------|
| | 2005 | 2004 | 2003 |
| <u>Assets:</u> | | | |
| Cash and Cash Equivalents | \$ <u>2,821,185</u> | \$ <u>3,115,603</u> | \$ <u>2,546,695</u> |
| <u>Net Assets:</u> | | | |
| Restricted for: | | | |
| Debt Service | 2,841 | 64,220 | 4,523 |
| Capital Outlay | 1,200,005 | 1,117,174 | 725,205 |
| Other Purposes | 640,031 | 293,247 | 97,742 |
| Cemetery Endowment - Nonexpendable | 1,811 | 1,780 | 1,764 |
| Unrestricted | <u>976,497</u> | <u>1,639,182</u> | <u>1,717,461</u> |
| Total Net Assets | \$ <u>2,821,185</u> | \$ <u>3,115,603</u> | \$ <u>2,546,695</u> |

| | Business-Type Activities | | |
|------------------------------------|--------------------------|-------------------|-------------------|
| | 2005 | 2004 | 2003 |
| <u>Assets:</u> | | | |
| Cash and Cash Equivalents | \$ <u>727,629</u> | \$ <u>544,176</u> | \$ <u>590,338</u> |
| <u>Net Assets:</u> | | | |
| Restricted for: | | | |
| Debt Service | 106,359 | 55,120 | 270 |
| Capital Outlay | 68,863 | 21,661 | 77,013 |
| Other Purposes | - | - | - |
| Cemetery Endowment - Nonexpendable | - | - | - |
| Unrestricted | <u>552,407</u> | <u>467,395</u> | <u>513,055</u> |
| Total Net Assets | \$ <u>727,629</u> | \$ <u>544,176</u> | \$ <u>590,338</u> |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2004 and 2005

Table 1 - Continued
Net Assets

| | <u>2005</u> | <u>Total 2004</u> | <u>2003</u> |
|------------------------------------|---------------------|-----------------------|---------------------|
| <u>Assets:</u> | | | |
| Cash and Cash Equivalents | \$ 3,548,814 | \$ 3,659,779 | \$ 3,137,033 |
| <u>Net Assets:</u> | | | |
| Restricted for: | | | |
| Debt Service | 109,200 | 119,340 | 4,793 |
| Capital Outlay | 1,268,868 | 1,138,835 | 802,218 |
| Other Purposes | 640,031 | 293,247 | 97,742 |
| Cemetery Endowment - Nonexpendable | 1,811 | 1,780 | 1,764 |
| Unrestricted | <u>1,528,904</u> | <u>2,106,577</u> | <u>2,230,516</u> |
| Total Net Assets | <u>\$ 3,548,814</u> | <u>\$ 3,659,779</u> | <u>\$ 3,137,033</u> |

As mentioned previously, net assets of governmental activities decreased \$294,416 or 9.4 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Village started the purchase on the local airport with 2005 costs of \$450,000.
- The Village started an aggressive street maintenance program and extensive repairs were made costing in excess of \$195,000.
- In 2005, the Village began a storm sewer replacement program with \$150,000 being expended.

As mentioned previously, net assets of governmental activities increased \$568,908 or 22.3 percent during 2004. The primary reasons contributing to the increases in cash balances are as follows:

- A Federal Aviation Agency grant of \$310,948 was received for the purchase of the local airport. No expenditures of this grant were made until 2005 resulting in a large increase in the net assets of the Airport Improvement Fund.
- The Village has been allocating \$130,000 per year for the proposed renovation of the Town Hall. This fund has an accumulated balance of \$584,379 for this project.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented for 2003.

Table 2 -Change in Net Assets

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2005 | 2004 |
| <u>Receipts:</u> | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$ 333,011 | \$ 324,413 |
| Operating Grants, Contributions, and Interest | 183,033 | 157,118 |
| Capital Grants and Contributions | 183,063 | 357,033 |
| Total Program Receipts | <u>699,107</u> | <u>838,564</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 222,290 | 219,302 |
| Income Taxes | 1,428,080 | 1,432,168 |
| Grants and Entitlements | 309,323 | 312,733 |
| Notes Issued | - | - |
| Sale of Capital Assets | 1,289 | - |
| Interest | 59,631 | 23,777 |
| Extraordinary Item - Ice Storm FEMA | 23,989 | - |
| Miscellaneous | 12,462 | 27,250 |
| Total General Receipts | <u>2,057,064</u> | <u>2,015,230</u> |
| Total Receipts | <u>2,756,171</u> | <u>2,853,794</u> |
| <u>Disbursements:</u> | | |
| General Government | 453,823 | 404,470 |
| Security of Persons and Property | 736,273 | 661,818 |
| Public Health Services | 57,924 | 73,665 |
| Leisure Time Activities | 187,026 | 146,130 |
| Economic Development | 1,558 | 1,558 |
| Basic Utilities | 12,702 | 5,500 |
| Transportation | 199,082 | 163,632 |
| Capital Outlay | 1,188,513 | 617,867 |
| Debt Service: | 178,686 | 180,214 |
| Water | - | - |
| Sewer | - | - |
| Other Enterprise Funds | - | - |
| Total Disbursements | <u>3,015,587</u> | <u>2,254,854</u> |
| Transfers In/(Out) | <u>(35,000)</u> | <u>(30,033)</u> |
| Increase (Decrease) in Net Assets | (294,416) | 568,907 |
| Net Assets - Beginning of Year | <u>3,115,601</u> | <u>2,546,694</u> |
| Net Assets - End of Year | <u>\$ 2,821,185</u> | <u>\$ 3,115,601</u> |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2004 and 2005

Table 2 – Change in Net Assets - Continued

| <u>Receipts:</u> | Business-Type Activities | |
|---|--------------------------|-------------------|
| | 2005 | 2004 |
| Program Receipts: | | |
| Charges for Services and Sales | \$ 1,378,027 | \$ 1,323,451 |
| Operating Grants, Contributions, and Interest | - | 6,022 |
| Capital Grants and Contributions | 653 | 362 |
| Total Program Receipts | <u>1,378,680</u> | <u>1,329,835</u> |
| General Receipts: | | |
| Property and Other Local Taxes | - | - |
| Income Taxes | - | - |
| Grants and Entitlements | - | - |
| Notes Issued | - | 4,405,340 |
| Sale of Capital Assets | 359 | 276 |
| Interest | - | - |
| Extraordinary Item - Ice Storm FEMA | - | - |
| Miscellaneous | 425 | 872 |
| Total General Receipts | <u>784</u> | <u>4,406,488</u> |
| Total Receipts | <u>1,379,464</u> | <u>5,736,323</u> |
| <u>Disbursements:</u> | | |
| General Government | - | - |
| Security of Persons and Property | - | - |
| Public Health Services | - | - |
| Leisure Time Activities | - | - |
| Economic Development | - | - |
| Basic Utilities | - | - |
| Transportation | - | - |
| Capital Outlay | - | - |
| Debt Service: | - | - |
| Water | 334,529 | 359,897 |
| Sewer | 486,123 | 4,977,467 |
| Other Enterprise Funds | 410,360 | 475,154 |
| Total Disbursements | <u>1,231,012</u> | <u>5,812,518</u> |
| Transfers In/(Out) | <u>35,000</u> | <u>30,033</u> |
| Increase (Decrease) in Net Assets | 183,452 | (46,162) |
| Net Assets - Beginning of Year | <u>544,177</u> | <u>590,339</u> |
| Net Assets - End of Year | <u>\$ 727,629</u> | <u>\$ 544,177</u> |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2004 and 2005

Table 2 – Change in Net Assets - Continued

| | TOTAL | |
|---|---------------------|---------------------|
| | 2005 | 2004 |
| <u>Receipts:</u> | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$ 1,711,038 | \$ 1,647,864 |
| Operating Grants, Contributions, and Interest | 183,033 | 163,140 |
| Capital Grants and Contributions | 183,716 | 357,395 |
| Total Program Receipts | <u>2,077,787</u> | <u>2,168,399</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 222,290 | 219,302 |
| Income Taxes | 1,428,080 | 1,432,168 |
| Grants and Entitlements | 309,323 | 312,733 |
| Notes Issued | - | 4,405,340 |
| Sale of Capital Assets | 1,648 | 276 |
| Interest | 59,631 | 23,777 |
| Extraordinary Item - Ice Storm FEMA | 23,989 | - |
| Miscellaneous | 12,887 | 28,122 |
| Total General Receipts | <u>2,057,848</u> | <u>6,421,718</u> |
| Total Receipts | <u>4,135,635</u> | <u>8,590,117</u> |
| <u>Disbursements:</u> | | |
| General Government | 453,823 | 404,470 |
| Security of Persons and Property | 736,273 | 661,818 |
| Public Health Services | 57,924 | 73,665 |
| Leisure Time Activities | 187,026 | 146,130 |
| Economic Development | 1,558 | 1,558 |
| Basic Utilities | 12,702 | 5,500 |
| Transportation | 199,082 | 163,632 |
| Capital Outlay | 1,188,513 | 617,867 |
| Debt Service: | 178,686 | 180,214 |
| Water | 334,529 | 359,897 |
| Sewer | 486,123 | 4,977,467 |
| Other Enterprise Funds | 410,360 | 475,154 |
| Total Disbursements | <u>4,246,599</u> | <u>8,067,372</u> |
| Transfers In/(Out) | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Assets | (110,964) | 522,745 |
| Net Assets - Beginning of Year | <u>3,659,778</u> | <u>3,137,033</u> |
| Net Assets - End of Year | <u>\$ 3,548,814</u> | <u>\$ 3,659,778</u> |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

Program receipts represent only 25.4 percent and 29.4 percent for 2005 and 2004, respectively of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to Orange and Richland Townships for fire and emergency medical services provided.

General receipts represent 74.5 percent and 70.6 percent for 2005 and 2004, respectively of the Village's total receipts, and of this amount, over 80.2 percent for 2005 and 81.9 percent for 2004 are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (15.3 percent in 2005 and 15.5 percent in 2004). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk-treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and swimming pool; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on pages 18 through 21, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 15.0 and 24.4 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 6.6 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

Table 3
Governmental Activities

| | Total Cost of Services 2005 | Net Cost of Services 2005 | Total Cost of Services 2004 | Net Cost of Services 2004 |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| General Government | 453,825 | 416,318 | 404,469 | 384,023 |
| Security of Persons and Property | 736,273 | 598,609 | 661,817 | 562,653 |
| Public Health Services | 57,924 | 29,224 | 73,665 | 52,784 |
| Leisure Time Activities | 187,026 | 94,583 | 146,130 | 71,647 |
| Community Environment | 1,558 | 744 | 1,558 | 870 |
| Basic Utilities | 12,702 | (34,475) | 5,500 | (146,043) |
| Transportation | 199,082 | (155,722) | 163,632 | (307,728) |
| Capital Outlay | 1,188,513 | 1,188,513 | 617,867 | 617,867 |
| Debt Service | 178,686 | 178,686 | 180,214 | 180,214 |
| Total Disbursements | 3,015,589 | 2,316,480 | 2,254,852 | 1,416,287 |

The dependence upon income tax receipts is apparent as over 76.8 percent in 2005 and 62.8 in 2004 of governmental activities are supported through these general receipts.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2004 and 2005

Business-type Activities

The water operation of the Village routinely reports receipts and cash disbursements that are relatively equal. The water from the Village's wells is very high in total dissolved solids and the Village has entered into an agreement with the Village of Ottawa, Ohio to construct a waterline from their municipality to the Village. This project is now in the engineering stage.

The sewer operation of the Village has receipts well above the cash disbursements for 2004 and 2005. The Village is under EPA mandate to separate all combined sewers within the system and the Village is in the process of determining the scope and cost of this project.

The Government's Funds

Total governmental funds had receipts of \$2,730,933 and \$2,853,794 and disbursements of \$3,015,587 and \$2,254,850 for 2005 and 2004, respectively. The greatest change within governmental funds occurred within the Street and Airport Improvement Funds. The disbursements of the Street Fund exceeded receipts by \$223,386 and \$219,054 for 2005 and 2004 respectively, as the result of an aggressive street repair program. In addition, disbursements exceed receipts by \$307,267 in 2005 due to the beginning of the purchase of the local airport.

General Fund receipts were \$693,382 and \$727,190 over disbursements in 2005 and 2004, respectively, indicating that the General Fund is not in a deficit spending situation. It was the recommendation of the finance committee and the administration to use General Fund monies to support the various projects planned by the Village, thusly large transfers were made to the Street Fund, Storm Sewer Improvement Fund, and Capital Improvement Fund. These transfers resulted in a General Fund balance reduction of \$388,368 and \$42,064 in 2005 and 2004, respectively.

General Fund Budgeting Highlights

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

During 2005 and 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increased fire contract receipts, higher interest earnings, and inheritance taxes in 2005, and increased estate taxes and an unbudgeted state grant in 2004.

Final disbursements were budgeted at \$2,008,316 in 2005 and \$1,651,442 in 2004 while actual disbursements were \$1,935,042 and \$1,556,460 in 2005 and 2004, respectively. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2004 and 2005

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Government's outstanding debt included \$ 425,200 in general obligation promissory notes issued for the purchase of the local airport, and \$113,379 in a capital lease for fire equipment. For further information regarding the Village's debt, refer to Notes 12, 13 and 14 to the financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. Our newly prepared financial forecast for 2006 presents our intentions to continue with our aggressive street repair program and storm sewer improvements with General Fund monies being allotted for these projects.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David R. Steiner, Clerk-Treasurer, P.O. Box 63, Bluffton, Ohio 45817.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS
December 31, 2005

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| <u>Assets:</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,821,185 | \$ 727,629 | \$ 3,548,814 |
| Total Assets | <u>2,821,185</u> | <u>727,629</u> | <u>3,548,814</u> |
| <u>Net Assets:</u> | | | |
| Restricted For: | | | |
| Capital Projects | 1,200,005 | 68,863 | 1,268,868 |
| Debt Service | 2,841 | 106,359 | 109,200 |
| Other Purposes | 640,031 | - | 640,031 |
| Cemetery Endowment - Nonexpendable | 1,811 | - | 1,811 |
| Unrestricted | <u>976,497</u> | <u>552,407</u> | <u>1,528,904</u> |
| Total Net Assets | <u>\$ 2,821,185</u> | <u>\$ 727,629</u> | <u>\$ 3,548,814</u> |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS

December 31, 2004

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| <u>Assets:</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,115,603 | \$ 544,176 | \$ 3,659,779 |
| Total Assets | <u>3,115,603</u> | <u>544,176</u> | <u>3,659,779</u> |
| <u>Net Assets:</u> | | | |
| Restricted For: | | | |
| Capital Projects | 1,169,780 | 21,661 | 1,191,441 |
| Debt Service | 64,220 | 55,120 | 119,340 |
| Other Purposes | 51,077 | - | 51,077 |
| Cemetery Endowment - Nonexpendable | 1,780 | - | 1,780 |
| Unrestricted | <u>1,828,746</u> | <u>467,395</u> | <u>2,296,141</u> |
| Total Net Assets | <u>\$ 3,115,603</u> | <u>\$ 544,176</u> | <u>\$ 3,659,779</u> |

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

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VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2005

| | Cash | Program Cash Receipts | | |
|----------------------------------|--------------|-----------------------|-----------------------------------|---|
| | | Disbursements | Charges for Services and Sales | Operating Grants Contributions and Interest |
| <u>Governmental Activities:</u> | | | | |
| General Government | \$ 453,823 | \$ 15,787 | \$ 532 | \$ 21,186 |
| Security of Persons and Property | 736,273 | 125,602 | 12,062 | - |
| Public Health Services | 57,924 | 28,700 | - | - |
| Leisure Time Activities | 187,026 | 81,682 | 400 | 10,361 |
| Community Environment | 1,558 | 814 | - | - |
| Basic Utility Services | 12,702 | 46,427 | 750 | - |
| Transportation | 199,082 | 33,999 | 169,289 | 151,516 |
| Capital Outlay | 1,188,513 | - | - | - |
| Debt Service | 178,686 | - | - | - |
| Total Governmental Activities | 3,015,587 | 333,011 | 183,033 | 183,063 |
| <u>Business Type Activities:</u> | | | | |
| Water | 334,529 | 332,392 | - | - |
| Sewer | 486,123 | 863,024 | - | - |
| Other Enterprise Funds | 410,360 | 182,611 | - | 653 |
| Total Business Type Activities | 1,231,012 | 1,378,027 | - | 653 |
| Total | \$ 4,246,599 | \$ 1,711,038 | \$ 183,033 | \$ 183,716 |

General Receipts:

Property Taxes Levied for General Purposes

Municipal Income Taxes

Other Taxes

Grants Not Restricted

Notes Issued

Sale of Capital Assets

Interest

Miscellaneous

Total General Receipts

Extraordinary Item - Ice Storm FEMA & State Grants

Transfers

Total General Receipts, Special Item, and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| \$ (416,318) | \$ - | \$ (416,318) |
| (598,609) | - | (598,609) |
| (29,224) | - | (29,224) |
| (94,583) | - | (94,583) |
| (744) | - | (744) |
| 34,475 | - | 34,475 |
| 155,722 | - | 155,722 |
| (1,188,513) | - | (1,188,513) |
| (178,686) | - | (178,686) |
| <u>(2,316,480)</u> | <u>-</u> | <u>(2,316,480)</u> |
| - | (2,137) | (2,137) |
| - | 376,901 | 376,901 |
| - | (227,096) | (227,096) |
| <u>-</u> | <u>147,668</u> | <u>147,668</u> |
| <u>(2,316,480)</u> | <u>147,668</u> | <u>(2,168,812)</u> |
| 182,319 | - | 182,319 |
| 1,428,080 | - | 1,428,080 |
| 39,971 | - | 39,971 |
| 309,323 | - | 309,323 |
| - | - | - |
| 1,289 | 359 | 1,648 |
| 59,631 | - | 59,631 |
| 12,462 | 426 | 12,888 |
| <u>2,033,075</u> | <u>785</u> | <u>2,033,860</u> |
| 23,989 | - | 23,989 |
| (35,000) | 35,000 | - |
| <u>2,022,064</u> | <u>35,785</u> | <u>2,057,849</u> |
| (294,416) | 183,453 | (110,963) |
| 3,115,601 | 544,177 | 3,659,778 |
| <u>\$ 2,821,185</u> | <u>\$ 727,630</u> | <u>\$ 3,548,815</u> |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2004

| | Program Cash Receipts | | | |
|----------------------------------|-----------------------|-----------------------------------|---|-------------------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants Contributions and Interest | Capital Grants and Contributions |
| <u>Governmental Activities:</u> | | | | |
| General Government | \$ 404,469 | \$ 12,884 | \$ 71 | \$ 7,491 |
| Security of Persons and Property | 661,817 | 62,831 | 29,559 | 6,774 |
| Public Health Services | 73,665 | 20,881 | - | - |
| Leisure Time Activities | 146,130 | 69,604 | 440 | 4,439 |
| Community Environment | 1,558 | 688 | - | - |
| Basic Utility Services | 5,500 | 151,543 | - | - |
| Transportation | 163,632 | 5,983 | 127,048 | 338,329 |
| Capital Outlay | 617,867 | - | - | - |
| Debt Service | 180,214 | - | - | - |
| Total Governmental Activities | 2,254,852 | 324,414 | 157,118 | 357,033 |
| <u>Business Type Activities:</u> | | | | |
| Water | 359,897 | 324,644 | - | - |
| Sewer | 4,977,467 | 852,169 | 6,022 | - |
| Other Enterprise Funds | 475,154 | 146,637 | - | 362 |
| Total Business Type Activities | 5,812,518 | 1,323,450 | 6,022 | 362 |
| Total | \$ 8,067,370 | \$ 1,647,864 | \$ 163,140 | \$ 357,395 |

General Receipts:

Property Taxes Levied for General Purposes
Municipal Income Taxes
Other Taxes
Grants Not Restricted
Notes Issued
Sale of Capital Assets
Interest
Miscellaneous
Total General Receipts

Extraordinary Item - Ice Storm FEMA & State Grants
Transfers
Total General Receipts, Special Item, and Transfers

Change in Net Assets
Net Assets Beginning of Year
Net Assets End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets

| | Governmental Activities | Business-Type Activities | Total |
|----|----------------------------|-----------------------------|-------------------------|
| \$ | (384,023) | \$ - | \$ (384,023) |
| | (562,653) | - | (562,653) |
| | (52,784) | - | (52,784) |
| | (71,647) | - | (71,647) |
| | (870) | - | (870) |
| | 146,043 | - | 146,043 |
| | 307,728 | - | 307,728 |
| | (617,867) | - | (617,867) |
| | (180,214) | - | (180,214) |
| | <u>(1,416,287)</u> | <u>-</u> | <u>(1,416,287)</u> |
| | - | (35,253) | (35,253) |
| | - | (4,119,276) | (4,119,276) |
| | - | (328,155) | (328,155) |
| | <u>-</u> | <u>(4,482,684)</u> | <u>(4,482,684)</u> |
| | <u>(1,416,287)</u> | <u>(4,482,684)</u> | <u>(5,898,971)</u> |
| | 179,861 | - | 179,861 |
| | 1,432,168 | - | 1,432,168 |
| | 39,441 | - | 39,441 |
| | 312,733 | - | 312,733 |
| | - | 4,405,340 | 4,405,340 |
| | - | 276 | 276 |
| | 23,777 | - | 23,777 |
| | 27,250 | 872 | 28,122 |
| | <u>2,015,230</u> | <u>4,406,488</u> | <u>6,421,718</u> |
| | - | - | - |
| | <u>(30,033)</u> | <u>30,033</u> | <u>-</u> |
| | <u>1,985,197</u> | <u>4,436,521</u> | <u>6,421,718</u> |
| | 568,910 | (46,163) | 522,747 |
| | 2,546,694 | 590,338 | 3,137,032 |
| \$ | <u><u>3,115,604</u></u> | <u><u>544,175</u></u> | <u><u>3,659,779</u></u> |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2005

| | <u>General</u> | <u>Street</u> | <u>Airport Improvement</u> | <u>Town Hall Improvement</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------|--------------------------------|----------------------------------|-------------------------------|---|
| <u>Assets:</u> | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,321,391 | \$ 228,997 | \$ 1,795 | \$ 734,325 | \$ 534,677 | \$ 2,821,185 |
| Total Assets | <u>1,321,391</u> | <u>228,997</u> | <u>1,795</u> | <u>734,325</u> | <u>534,677</u> | <u>2,821,185</u> |
| <u>Fund Balances:</u> | | | | | | |
| Reserved for Encumbrances | 344,894 | 14,436 | - | 266,448 | 17,800 | 643,578 |
| Unreserved, Reported in: | | | | | | |
| General Fund | 976,497 | - | - | - | - | 976,497 |
| Special Revenue Funds | - | 214,561 | - | - | 63,788 | 278,349 |
| Debt Service Fund | - | - | - | - | 2,841 | 2,841 |
| Capital Projects Funds | - | - | 1,795 | 467,877 | 448,437 | 918,109 |
| Permanent Funds | - | - | - | - | 1,811 | 1,811 |
| Total Fund Balances | <u>\$ 1,321,391</u> | <u>\$ 228,997</u> | <u>\$ 1,795</u> | <u>\$ 734,325</u> | <u>\$ 534,677</u> | <u>\$ 2,821,185</u> |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2004

| | General | Street | Airport Improvement | Town Hall Improvement | Other Governmental | Total Governmental Funds |
|--|--------------|------------|------------------------|--------------------------|-----------------------|--------------------------------|
| <u>Assets:</u> | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,709,760 | \$ 174,483 | \$ 294,562 | \$ 584,379 | \$ 352,419 | \$ 3,115,603 |
| Total Assets | 1,709,760 | 174,483 | 294,562 | 584,379 | 352,419 | 3,115,603 |
| <u>Fund Balances:</u> | | | | | | |
| Reserved for Encumbrances | 70,578 | 31,020 | - | 81,100 | 13,988 | 196,686 |
| Unreserved, Reported in: | | | | | | |
| General Fund | 1,639,182 | - | - | - | - | 1,639,182 |
| Special Revenue Funds | - | 143,463 | - | - | 46,101 | 189,564 |
| Debt Service Fund | - | - | - | - | 64,220 | 64,220 |
| Capital Projects Funds | - | - | 294,562 | 503,279 | 226,330 | 1,024,171 |
| Permanent Funds | - | - | - | - | 1,780 | 1,780 |
| Total Fund Balances | \$ 1,709,760 | \$ 174,483 | \$ 294,562 | \$ 584,379 | \$ 352,419 | \$ 3,115,603 |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2005

| | General | Street | Airport Improvement | Town Hall Improvement | Other Governmental | Total Governmental Funds |
|--|---------------------|-------------------|------------------------|--------------------------|-----------------------|-----------------------------|
| Receipts: | | | | | | |
| Municipal Income Taxes | \$ 1,428,080 | \$ - | \$ - | \$ - | \$ - | \$ 1,428,080 |
| Property and Other Local Taxes | 222,290 | - | - | - | 30,191 | 252,481 |
| Special Assessments | - | 29,486 | - | - | 4,214 | 33,700 |
| Charges for Services | 225,336 | - | - | - | 26,300 | 251,636 |
| Fines, Licenses and Permits | 15,809 | - | - | - | 1,377 | 17,186 |
| Intergovernmental | 319,322 | 120,776 | 148,746 | - | 48,474 | 637,318 |
| Interest | 59,631 | 7,063 | 2,770 | 19,946 | 7,420 | 96,830 |
| Miscellaneous | 13,062 | 300 | - | - | 400 | 13,762 |
| Total Receipts | 2,283,530 | 157,625 | 151,516 | 19,946 | 118,376 | 2,730,993 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government | 453,020 | - | - | - | 803 | 453,823 |
| Security of Persons and Property | 736,273 | - | - | - | - | 736,273 |
| Public Health Services | 31,919 | - | - | - | 26,005 | 57,924 |
| Leisure Time Activities | 134,862 | - | - | - | 52,164 | 187,026 |
| Community Environment | 1,558 | - | - | - | - | 1,558 |
| Basic Utility Services | 12,702 | - | - | - | - | 12,702 |
| Transportation | 13,215 | 159,206 | 6,575 | - | 20,086 | 199,082 |
| Capital Outlay | 206,599 | 195,102 | 452,208 | - | 334,604 | 1,188,513 |
| Debt Service: | | | | | | |
| Principal Retirement | - | 25,500 | - | - | 54,111 | 79,611 |
| Interest and Fiscal Charges | - | 1,403 | - | - | 97,672 | 99,075 |
| Total Disbursements | 1,590,148 | 381,211 | 458,783 | - | 585,445 | 3,015,587 |
| Excess of Receipts Over (Under) Disbursements | 693,382 | (223,586) | (307,267) | 19,946 | (467,069) | (284,594) |
| Other Financing Sources (Uses): | | | | | | |
| Notes Issued | - | - | - | - | - | - |
| Sale of Capital Assets | - | - | - | - | 1,189 | 1,189 |
| Transfers In | - | 275,000 | 14,500 | 130,000 | 627,250 | 1,046,750 |
| Transfers Out | (1,081,750) | - | - | - | - | (1,081,750) |
| Total Other Financing Sources (Uses) | (1,081,750) | 275,000 | 14,500 | 130,000 | 628,439 | (33,811) |
| Special Item: | | | | | | |
| Ice Storm FEMA & State Grants | - | 3,100 | - | - | 20,889 | 23,989 |
| Net Change in Fund Balances | (388,368) | 54,514 | (292,767) | 149,946 | 182,259 | (294,416) |
| Fund Balances Beginning of Year | 1,709,759 | 174,483 | 294,562 | 584,379 | 352,418 | 3,115,601 |
| Fund Balances End of Year | \$ 1,321,391 | \$ 228,997 | \$ 1,795 | \$ 734,325 | \$ 534,677 | \$ 2,821,185 |

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

VILLAGE OF BLUFFTON
BLUFFTON, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

| | General | Street | Airport Improvement | Town Hall Improvement | Other Governmental | Total Governmental Funds |
|--|---------------------|-------------------|------------------------|--------------------------|-----------------------|-----------------------------|
| <u>Receipts:</u> | | | | | | |
| Municipal Income Taxes | \$ 1,432,168 | \$ - | \$ - | \$ - | \$ - | \$ 1,432,168 |
| Property and Other Local Taxes | 219,302 | - | - | - | 135,433 | 354,735 |
| Special Assessments | - | - | - | - | 4,285 | 4,285 |
| Charges for Services | 149,834 | - | - | - | 18,880 | 168,714 |
| Fines, Licenses and Permits | 13,248 | - | - | - | 1,034 | 14,282 |
| Intergovernmental | 348,201 | 115,156 | 337,405 | - | 8,765 | 809,527 |
| Interest | 23,777 | 2,931 | 924 | 6,731 | 3,511 | 37,874 |
| Miscellaneous | 26,540 | 1,698 | - | - | 3,971 | 32,209 |
| Total Receipts | <u>2,213,070</u> | <u>119,785</u> | <u>338,329</u> | <u>6,731</u> | <u>175,879</u> | <u>2,853,794</u> |
| <u>Disbursements:</u> | | | | | | |
| Current: | | | | | | |
| General Government | 403,843 | - | - | - | 626 | 404,469 |
| Security of Persons and Property | 661,495 | - | - | - | 322 | 661,817 |
| Public Health Services | 49,883 | - | - | - | 23,782 | 73,665 |
| Leisure Time Activities | 99,927 | - | - | - | 46,203 | 146,130 |
| Community Environment | 1,558 | - | - | - | - | 1,558 |
| Basic Utility Services | 5,500 | - | - | - | - | 5,500 |
| Transportation | 15,083 | 148,548 | - | - | - | 163,631 |
| Capital Outlay | 248,591 | 162,011 | 49,854 | - | 157,410 | 617,866 |
| Debt Service: | | | | | | |
| Principal Retirement | - | 25,500 | - | - | 51,820 | 77,320 |
| Interest and Fiscal Charges | - | 2,780 | - | - | 100,114 | 102,894 |
| Total Disbursements | <u>1,485,880</u> | <u>338,839</u> | <u>49,854</u> | <u>-</u> | <u>380,277</u> | <u>2,254,850</u> |
| Excess of Receipts Over (Under) Disbursements | <u>727,190</u> | <u>(219,054)</u> | <u>288,475</u> | <u>6,731</u> | <u>(204,398)</u> | <u>598,944</u> |
| <u>Other Financing Sources (Uses):</u> | | | | | | |
| Notes Issued | - | - | - | - | - | - |
| Sale of Capital Assets | - | - | - | - | - | - |
| Transfers In | 246 | 365,000 | 5,500 | 130,000 | 239,000 | 739,746 |
| Transfers Out | (769,500) | - | - | - | (279) | (769,779) |
| Total Other Financing Sources (Uses) | <u>(769,254)</u> | <u>365,000</u> | <u>5,500</u> | <u>130,000</u> | <u>238,721</u> | <u>(30,033)</u> |
| <u>Special Item:</u> | | | | | | |
| Ice Storm FEMA & State Grants | - | - | - | - | - | - |
| Net Change in Fund Balances | (42,064) | 145,946 | 293,975 | 136,731 | 34,323 | 568,911 |
| Fund Balances Beginning of Year | 1,751,826 | 28,537 | 587 | 447,648 | 318,096 | 2,546,694 |
| Fund Balances End of Year | <u>\$ 1,709,762</u> | <u>\$ 174,483</u> | <u>\$ 294,562</u> | <u>\$ 584,379</u> | <u>\$ 352,419</u> | <u>\$ 3,115,605</u> |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND

For the Year Ended December 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|---------------------|--------------------|--------------------|--|
| | Original | Final | | |
| <u>Receipts:</u> | | | | |
| Municipal Income Taxes | \$ 1,460,000 | \$ 1,460,000 | \$ 1,428,080 | \$ (31,920) |
| Property and Other Local Taxes | 229,893 | 229,893 | 222,290 | (7,603) |
| Special Assessments | - | - | - | - |
| Charges for Services | 158,452 | 158,452 | 225,336 | 66,884 |
| Fines, Licenses and Permits | 16,753 | 16,753 | 15,809 | (944) |
| Intergovernmental | 243,812 | 243,812 | 319,322 | 75,510 |
| Interest | 25,000 | 25,000 | 59,631 | 34,631 |
| Miscellaneous | 14,370 | 14,370 | 13,062 | (1,308) |
| Total Receipts | <u>2,148,280</u> | <u>2,148,280</u> | <u>2,283,530</u> | <u>135,250</u> |
| <u>Disbursements:</u> | | | | |
| Current: | | | | |
| General Government | 437,642 | 493,790 | 460,565 | 33,225 |
| Security of Persons and Property | 708,660 | 755,271 | 744,087 | 11,184 |
| Public Health Services | 34,800 | 33,900 | 31,919 | 1,981 |
| Leisure Time Activities | 121,772 | 135,529 | 134,912 | 617 |
| Community Environment | 1,558 | 1,558 | 1,558 | - |
| Basic Utility Services | 15,000 | 23,100 | 21,452 | 1,648 |
| Transportation | 20,056 | 20,106 | 16,215 | 3,891 |
| Capital Outlay | 137,297 | 545,062 | 524,334 | 20,728 |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - |
| Total Disbursements | <u>1,476,785</u> | <u>2,008,316</u> | <u>1,935,042</u> | <u>73,274</u> |
| Excess of Receipts Over (Under) Disbursements | <u>671,495</u> | <u>139,964</u> | <u>348,488</u> | <u>208,524</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Notes Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | (1,026,500) | (1,081,750) | (1,081,750) | - |
| Other Financing Sources (Uses) | (50,000) | (45) | - | 45 |
| Total Other Financing Sources (Uses) | <u>(1,076,500)</u> | <u>(1,081,795)</u> | <u>(1,081,750)</u> | <u>45</u> |
| Net Change in Fund Balances | (405,005) | (941,831) | (733,262) | 208,569 |
| Fund Balance at Beginning of Year | 1,639,182 | 1,639,182 | 1,639,182 | - |
| Prior Year Encumbrances Appropriated | 70,577 | 70,577 | 70,577 | - |
| Fund Balance at End of Year | <u>\$ 1,304,754</u> | <u>\$ 767,928</u> | <u>\$ 976,497</u> | <u>\$ 208,569</u> |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND

For the Year Ended December 31, 2004

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|--------------|--------------|---------------------------------|
| | Original | Final | | Final Budget Over (Under) |
| <u>Receipts:</u> | | | | |
| Municipal Income Taxes | \$ 1,475,000 | \$ 1,475,000 | \$ 1,432,168 | \$ (42,832) |
| Property and Other Local Taxes | 212,075 | 212,075 | 219,302 | 7,227 |
| Special Assessments | - | - | - | - |
| Charges for Services | 175,554 | 175,554 | 149,834 | (25,720) |
| Fines, Licenses and Permits | 13,796 | 13,796 | 13,248 | (548) |
| Intergovernmental | 244,647 | 244,647 | 348,201 | 103,554 |
| Interest | 25,000 | 25,000 | 23,777 | (1,223) |
| Miscellaneous | 14,919 | 14,919 | 26,540 | 11,621 |
| Total Receipts | 2,160,991 | 2,160,991 | 2,213,070 | 52,079 |
| <u>Disbursements:</u> | | | | |
| Current: | | | | |
| General Government | 453,458 | 453,242 | 417,569 | 35,673 |
| Security of Persons and Property | 673,859 | 687,379 | 672,533 | 14,846 |
| Public Health Services | 34,505 | 52,930 | 49,883 | 3,047 |
| Leisure Time Activities | 114,392 | 114,489 | 102,876 | 11,613 |
| Community Environment | 1,558 | 1,558 | 1,558 | - |
| Basic Utility Services | 19,000 | 15,600 | 13,600 | 2,000 |
| Transportation | 23,641 | 19,641 | 15,134 | 4,507 |
| Capital Outlay | 91,171 | 306,602 | 283,307 | 23,295 |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - |
| Total Disbursements | 1,411,584 | 1,651,441 | 1,556,460 | 94,981 |
| Excess of Receipts Over (Under) Disbursements | 749,407 | 509,550 | 656,610 | 147,060 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Notes Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | - | - | 246 | (246) |
| Transfers Out | (739,500) | (751,500) | (769,500) | 18,000 |
| Other Financing Sources (Uses) | (50,000) | (1,444) | - | (1,444) |
| Total Other Financing Sources (Uses) | (789,500) | (752,944) | (769,254) | (16,310) |
| Net Change in Fund Balances | (40,093) | (243,394) | (112,644) | 130,750 |
| Fund Balance at Beginning of Year | 1,717,461 | 1,717,461 | 1,717,461 | - |
| Prior Year Encumbrances Appropriated | 34,366 | 34,366 | 34,366 | - |
| Fund Balance at End of Year | \$ 1,711,734 | \$ 1,508,433 | \$ 1,639,183 | \$ 130,750 |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
STREET FUND

For the Year Ended December 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|-------------------|------------------|-------------------|--|
| | Original | Final | | |
| <u>Receipts:</u> | | | | |
| Municipal Income Taxes | \$ - | \$ - | \$ - | \$ - |
| Property and Other Local Taxes | - | - | - | - |
| Special Assessments | - | - | 29,486 | 29,486 |
| Charges for Services | - | - | - | - |
| Fines, Licenses and Permits | - | - | - | - |
| Intergovernmental | 117,231 | 117,231 | 120,776 | 3,545 |
| Interest | 2,000 | 2,000 | 7,063 | 5,063 |
| Miscellaneous | 343 | 343 | 300 | (43) |
| Total Receipts | 119,574 | 119,574 | 157,625 | 38,051 |
| <u>Disbursements:</u> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Security of Persons and Property | - | - | - | - |
| Public Health Services | - | - | - | - |
| Leisure Time Activities | - | - | - | - |
| Community Environment | - | - | - | - |
| Basic Utility Services | - | - | - | - |
| Transportation | 189,640 | 200,424 | 172,492 | 27,932 |
| Capital Outlay | 250,000 | 254,074 | 196,252 | 57,822 |
| Debt Service: | | | | |
| Principal Retirement | 25,500 | 25,500 | 25,500 | - |
| Interest and Fiscal Charges | 701 | 1,403 | 1,403 | - |
| Total Disbursements | 465,841 | 481,401 | 395,647 | 85,754 |
| Excess of Receipts Over (Under) Disbursements | (346,267) | (361,827) | (238,022) | 123,805 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Notes Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | 275,000 | 275,000 | 275,000 | - |
| Transfers Out | - | - | - | - |
| Other Financing Sources (Uses) | - | - | - | - |
| Total Other Financing Sources (Uses) | 275,000 | 275,000 | 275,000 | - |
| <u>Extraordinary Item:</u> | | | | |
| Ice Storm State Grant | - | - | 3,100 | 3,100 |
| Net Change in Fund Balances | (71,267) | (86,827) | 40,078 | 126,905 |
| Fund Balance at Beginning of Year | 143,463 | 143,463 | 143,463 | - |
| Prior Year Encumbrances Appropriated | 31,020 | 31,020 | 31,020 | - |
| Fund Balance at End of Year | \$ 103,216 | \$ 87,656 | \$ 214,561 | \$ 126,905 |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
STREET FUND

For the Year Ended December 31, 2004

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|------------------|-----------|------------|--|
| | Original | Final | | |
| <u>Receipts:</u> | | | | |
| Municipal Income Taxes | \$ - | \$ - | \$ - | \$ - |
| Property and Other Local Taxes | - | - | - | - |
| Special Assessments | - | - | - | - |
| Charges for Services | - | - | - | - |
| Fines, Licenses and Permits | - | - | - | - |
| Intergovernmental | 101,435 | 101,435 | 115,156 | 13,721 |
| Interest | 500 | 500 | 2,931 | 2,431 |
| Miscellaneous | 235 | 235 | 1,698 | 1,463 |
| Total Receipts | 102,170 | 102,170 | 119,785 | 17,615 |
| <u>Disbursements:</u> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Security of Persons and Property | - | - | - | - |
| Public Health Services | - | - | - | - |
| Leisure Time Activities | - | - | - | - |
| Community Environment | - | - | - | - |
| Basic Utility Services | - | - | - | - |
| Transportation | 185,179 | 183,399 | 161,676 | 21,723 |
| Capital Outlay | 250,000 | 250,000 | 179,903 | 70,097 |
| Debt Service: | | | | |
| Principal Retirement | 25,500 | 25,500 | 25,500 | - |
| Interest and Fiscal Charges | 2,780 | 2,780 | 2,780 | - |
| Total Disbursements | 463,459 | 461,679 | 369,859 | 91,820 |
| Excess of Receipts Over (Under) Disbursements | (361,289) | (359,509) | (250,074) | 109,435 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Notes Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | 365,000 | 365,000 | 365,000 | - |
| Transfers Out | - | - | - | - |
| Other Financing Sources (Uses) | - | - | - | - |
| Total Other Financing Sources (Uses) | 365,000 | 365,000 | 365,000 | - |
| Net Change in Fund Balances | 3,711 | 5,491 | 114,926 | 109,435 |
| Fund Balance at Beginning of Year | 17,274 | 17,274 | 17,274 | - |
| Prior Year Encumbrances Appropriated | 11,263 | 11,263 | 11,263 | - |
| Fund Balance at End of Year | \$ 32,248 | \$ 34,028 | \$ 143,463 | \$ 109,435 |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2005

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Other Enterprise</u> | <u>Total Proprietary Funds</u> |
|--|-------------------|-------------------|-----------------------------|--|
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 47,677 | \$ 487,625 | \$ 192,327 | \$ 727,629 |
| Total Assets | <u>47,677</u> | <u>487,625</u> | <u>192,327</u> | <u>727,629</u> |
| <u>Net Assets:</u> | | | | |
| Restricted for: | | | | |
| Capital Projects | - | - | 68,863 | 68,863 |
| Debt Service | - | - | 106,359 | 106,359 |
| Unrestricted | <u>47,677</u> | <u>487,625</u> | <u>17,105</u> | <u>552,407</u> |
| Total Net Assets | <u>\$ 47,677</u> | <u>\$ 487,625</u> | <u>\$ 192,327</u> | <u>\$ 727,629</u> |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2004

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Other Enterprise</u> | <u>Total Proprietary Funds</u> |
|--|-------------------|-------------------|-----------------------------|--|
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 14,354 | \$ 397,848 | \$ 131,974 | \$ 544,176 |
| Total Assets | <u>14,354</u> | <u>397,848</u> | <u>131,974</u> | <u>544,176</u> |
| <u>Net Assets:</u> | | | | |
| Restricted for: | | | | |
| Capital Projects | - | - | 21,661 | 21,661 |
| Debt Service | - | - | 55,120 | 55,120 |
| Unrestricted | 14,354 | 397,848 | 55,193 | 467,395 |
| Total Net Assets | <u>\$ 14,354</u> | <u>\$ 397,848</u> | <u>\$ 131,974</u> | <u>\$ 544,176</u> |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2005

| | Water Fund | Sewer Fund | Other Enterprise Funds | Total Enterprise Funds |
|---|------------|------------|---------------------------|---------------------------|
| <i><u>Operating Receipts:</u></i> | | | | |
| Charges for Services | \$ 332,392 | \$ 863,024 | \$ 182,611 | \$ 1,378,027 |
| Other Operating Receipts | 460 | 252 | 725 | 1,437 |
| Total Operating Receipts | 332,852 | 863,276 | 183,336 | 1,379,464 |
| <i><u>Operating Disbursements:</u></i> | | | | |
| Personal Services | 127,297 | 130,932 | - | 258,229 |
| Fringe Benefits | 42,899 | 33,706 | - | 76,605 |
| Contractual Services | 95,044 | 150,515 | 143,257 | 388,816 |
| Materials and Supplies | 56,350 | 82,396 | 966 | 139,712 |
| Capital Outlay | 12,939 | 50,387 | 30,000 | 93,326 |
| Total Operating Disbursements | 334,529 | 447,936 | 174,223 | 956,688 |
| Operating Income/(Loss) | (1,677) | 415,340 | 9,113 | 422,776 |
| <i><u>Non-Operating Receipts/(Disbursements):</u></i> | | | | |
| Redemption of Principal | - | (9,056) | (66,000) | (75,056) |
| Interest on Debt | - | (29,131) | (170,137) | (199,268) |
| Total Non-Operating Receipts/(Disbursements) | - | (38,187) | (236,137) | (274,324) |
| Income/(Loss) before Transfers | (1,677) | 377,153 | (227,024) | 148,452 |
| Transfers In | 35,000 | - | 287,376 | 322,376 |
| Transfers Out | - | (287,376) | - | (287,376) |
| Change in Net Assets | 33,323 | 89,777 | 60,352 | 183,452 |
| Net Assets - Beginning of Year | 14,354 | 397,848 | 131,975 | 544,177 |
| Net Assets - End of Year | \$ 47,677 | \$ 487,625 | \$ 192,327 | \$ 727,629 |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2004

| | Water Fund | Sewer Fund | Other Enterprise Funds | Total Enterprise Funds |
|---|------------|-------------|---------------------------|---------------------------|
| <i><u>Operating Receipts:</u></i> | | | | |
| Charges for Services | \$ 324,644 | \$ 852,169 | \$ 146,637 | \$ 1,323,450 |
| Other Operating Receipts | 408 | 250 | 491 | 1,149 |
| Total Operating Receipts | 325,052 | 852,419 | 147,128 | 1,324,599 |
| <i><u>Operating Disbursements:</u></i> | | | | |
| Personal Services | 129,531 | 122,583 | - | 252,114 |
| Fringe Benefits | 43,821 | 29,227 | - | 73,048 |
| Contractual Services | 102,871 | 129,075 | 128,766 | 360,712 |
| Materials and Supplies | 47,479 | 59,234 | 1,395 | 108,108 |
| Capital Outlay | 36,195 | 256,766 | 344,993 | 637,954 |
| Total Operating Disbursements | 359,897 | 596,885 | 475,154 | 1,431,936 |
| Operating Income/(Loss) | (34,845) | 255,534 | (328,026) | (107,337) |
| <i><u>Non-Operating Receipts/(Disbursements):</u></i> | | | | |
| Sale of Notes & Bonds | - | 4,082,765 | 322,575 | 4,405,340 |
| Interest | - | - | 6,384 | 6,384 |
| Redemption of Principal | - | (4,271,347) | - | (4,271,347) |
| Interest on Debt | - | (109,235) | - | (109,235) |
| Total Non-Operating Receipts/(Disbursements) | - | (297,817) | 328,959 | 31,142 |
| Income/(Loss) before Transfers | (34,845) | (42,283) | 933 | (76,195) |
| Transfers In | 30,033 | - | 48,828 | 78,861 |
| Transfers Out | - | (48,828) | - | (48,828) |
| Change in Net Assets | (4,812) | (91,111) | 49,761 | (46,162) |
| Net Assets - Beginning of Year | 19,166 | 488,959 | 82,213 | 590,338 |
| Net Assets - End of Year | \$ 14,354 | \$ 397,848 | \$ 131,974 | \$ 544,176 |

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 1 - Reporting Entity

The Village of Bluffton, Allen and Hancock Counties, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department and emergency medical squad.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets - modified cash basis and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services..

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental funds are the General Fund, Street Fund, Airport Improvement Fund and the Town Hall Improvement Fund.

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

Street Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Airport Improvement Fund accounts for Federal Aviation Administration grants and collects interest to pay for needed improvements.

Town Hall Improvement Fund accounts for grants and collects interest to pay for improvements to the town hall.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary.

Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

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

D. Budgetary Process

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

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

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

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

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

During 2005 and 2004, the Village invested in nonnegotiable certificates of deposit, money market funds, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Village's money market fund investments are recorded at the amount reported by The Citizens National Bank and The First National Bank at December 31, 2005 and 2004.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, Village Council's directives or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 was \$59,631 and \$23,777, respectively.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

F. Interfund Receivables/Payables

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

G. Accumulated Leave

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for renovation of Town Hall and the installation of Main Street waterline.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

L. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Note 3 - Change in Basis of Accounting and Restatement of Fund Equity

For calendar year 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For calendar years 2004 and 2005, the Village has implemented the modified cash basis of accounting as described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 - Accountability and Compliance

A. Accountability

The Special Assessment – Main St. Fund had a deficit fund balance for the year ended December 31, 2004 of \$(918.11)

B. Compliance

Expenditures exceeded appropriation in the General Fund for the year ended December 31, 2004 in the amount of \$17,999.96.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance — Budget and Actual — Budgetary Basis presented for the general fund and the street fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$344,894 and \$70,578 for the general fund for 2005 and 2004, respectively and \$14,436 and \$31,020 for the street fund for 2005 and 2004, respectively

Note 6 - Deposits and Investments

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

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

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

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

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 6 - Deposits and Investments – (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (I) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At each year end, the Village had \$3,450 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005 and 2004, \$3,335,883 and \$2,305,046 of the Village's bank balances of \$3,535,883 and \$2,505,046 were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 6 - Deposits and Investments – (continued)

Investments

As of December 31, 2005 and 2004, the Village had the following investments:

| | |
|-------------------|-----------------------|
| STAR Ohio: | |
| | <u>Carrying Value</u> |
| December 31, 2005 | \$12,932 |
| December 31, 2004 | \$1,154,733 |

STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAA money market rating by Standard & Poor's. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 7 - Income Taxes

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the later case, the Village allows a credit of the lesser of actual taxes paid to another city of one hundred percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 8 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts was \$77,293,183.

Note 9 - Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, uninsured motorists, property damage, inland marine, crime, and public employee bonding.

The Village offers medical and life insurance coverage for full-time employees through a commercial insurer.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional for the years ended December 31, 2005, 2004, and 2003 were \$ 62,129, \$ 58,378, and \$ 53,449 respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5 164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$ 30,101, \$ 26,806, and \$ 23,258. The Village has paid all contributions required through December 31, 2005.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 11 - Post-employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 11 - Post-employment Benefits – (continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund post-employment benefits were \$19,818 for police. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 12 - Note Payable/Lease Commitment

The Village of Bluffton entered into an agreement with Amalgamated Leasing Inc. to purchase the Bluffton Airport and in turn lease it back to them. The total purchase cost was \$875,200 with no interest.

Future payments are due as follows:

| | |
|--------------------|------------------|
| September 30, 2006 | \$150,000 |
| September 30, 2007 | \$150,000 |
| September 30, 2008 | <u>\$125,200</u> |
| TOTAL | <u>\$425,200</u> |

The lease, effective November 1, 2004, calls for annual payments to the Village in the amount of \$10,000 per year for five years, with the option to renew the lease for another consecutive five-year term.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 13 - Debt

Debt Outstanding at December 31, 2005, was as follows:

| | <u>Principal</u> | <u>Interest Rates</u> | <u>Maturity Dates</u> |
|---|---------------------|-----------------------|-----------------------|
| OWDA Loan - Water System Improvements | \$ 1,655,652 | 5.77% | 7/1/2026 |
| Issue II Loan | 126,731 | 0.00% | 7/1/2021 |
| OWDA Loan - Wastewater Treatment | 619,564 | 4.64% | 7/1/2033 |
| USDA Rural Develop Mortgage Revenue Bonds | 3,934,000 | 4.50% | 10/1/2034 |
| | <u>\$ 6,335,947</u> | | |

The Ohio Water Development Authority (OWDA) Water System Improvements loan relates to the construction of two water towers. The loan will be repaid in semiannual installments of \$69,383, including interest, over 25 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Issue II Loan was granted by the Ohio Public Waterworks Commission to finance sanitary sewer improvements.

The Ohio Water Development Authority (OWDA) WWTP loan relates to the construction of a new wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$ 20,054, including interest, over 30 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The USDA Rural Development Permanent Mortgage Revenue Bonds were obtained for the purpose of paying the costs of constructing a new wastewater treatment plant. The loan will be repaid over 30 years. Annual payments are due October 1st of each year. Principal payment range from \$66,000 to \$235,000 annually, which results in total annual payments of \$236,137 to \$244,996 including interest.

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$8,087,947 and an unvoted debt margin of \$4,033,963.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 13 – Debt – (continued)

Amortization of the above debt, including interest is scheduled as follows:

| Year Ending December 31: | OWDA Loan Water System | Issue II Loan | OWDA Loan Wastewater System |
|-----------------------------|---------------------------|------------------|--------------------------------|
| 2006 | \$ 138,768 | \$ 8,176 | \$ 40,109 |
| 2007 | 138,768 | 8,176 | 40,109 |
| 2008 | 138,768 | 8,176 | 40,109 |
| 2009 | 138,768 | 8,176 | 40,109 |
| 2010 | 138,768 | 8,176 | 40,109 |
| Subsequent | 2,150,904 | 85,851 | 902,453 |
| Total | \$ 2,844,744 | \$ 126,731 | \$ 1,102,998 |

| Year Ending December 31: | USDA Bonds | TOTAL |
|-----------------------------|---------------|---------------|
| 2006 | \$ 236,330 | \$ 423,383 |
| 2007 | 236,395 | 423,448 |
| 2008 | 236,332 | 423,385 |
| 2009 | 236,142 | 423,195 |
| 2010 | 236,825 | 423,878 |
| Subsequent | 5,763,954 | 8,903,162 |
| Total | \$ 6,945,978 | \$ 11,020,451 |

Note 14 - Leases

The village has entered into an 8 year lease with Emergency One, Inc. for a fire truck. The lease called for a down payment of \$200,000 and 8 annual payments including interest computed at 5.09077% per annum.

Future payments of this lease are as follows:

| | Principal | Interest | Total |
|-------|------------|----------|------------|
| 2006 | \$ 51,330 | \$ 5,359 | \$ 56,689 |
| 2007 | 53,944 | 2,746 | 56,690 |
| Total | \$ 105,274 | \$ 8,105 | \$ 113,379 |

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 15 - Interfund Transfers

The following transfers were made during 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|---------------------------------------|------------------|----------------|
| Major Governmental Funds | \$ 419,500 | \$ 500,500 |
| Other Governmental Funds | 627,250 | 239,000 |
| Major Enterprise Funds | <u>35,000</u> | <u>30,000</u> |
| Total Transfers from the General Fund | <u>1,081,750</u> | <u>769,500</u> |

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, in 2004, \$279 was transferred from the unclaimed money fund (Other Governmental Fund) back to the source of the fund - \$246 in General Fund and \$33 in the Water Fund (Major Enterprise Fund).

Note 16 - Construction and Contractual Commitments

The Village is under contract with Floyd Browne Associates for engineering services for the installation of the Main Street waterline with \$33,339 remaining in the contract.

The Village is also in an agreement with the Village of Ottawa, Ohio committing the Village to \$277,348 or 71.1% of the engineering costs for the proposed waterline from Ottawa to the Village.

The Village has a contract with R. D. Neff & Associates for architectural services for the renovation of the town hall building for \$266,447.

The Village has an agreement with Blanchard Valley Regional Health Center for communication services for police, fire and emergency medical services in which the Village pays 60% of the costs for these personnel. This cost amounted to \$93,818 and \$97,420 in 2004 and 2005, respectively.

Note 17 - Contingent Liabilities

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



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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

May 31, 2006

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

Village of Bluffton
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bluffton, Allen County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basis financial statements, and have issued our report thereon dated May 31, 2006, wherein we noted the Village prepared its financial statements following the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-8140-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We believe the reportable condition described in the accompanying schedule of findings as item 2005-8140-002 to be a material weakness. In a separate letter to the Village's management dated May 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as item 2005 - 8140 - 001. We also noted certain immaterial instances of noncompliance, which we have reported to management of Village of Bluffton in a separate letter dated May 31, 2006.

We intend this report solely for the information and use of the audit committee, management, the Village Council, and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.



VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS

December 31, 2005 and 2004

**Findings Related to the Financial Statements Required to be Reported
in Accordance with GAGAS**

| | |
|----------------|------------------|
| Finding Number | 2005 -8140 - 001 |
|----------------|------------------|

Noncompliance

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions, which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater (\$3,000 effective 4-7-03), the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000 (\$3,000 effective 4-7-03), the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

The Clerk/Treasurer did not make the proper certification of funds for 23 percent of the transactions tested during the audit period. We recommend that the Clerk/Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.

VILLAGE RESPONSE – The Village recognizes the problem, has made improvement over the prior audit, and will continue to work to correct this problem.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS

December 31, 2005 and 2004

| | |
|----------------|------------------|
| Finding Number | 2003 -8140 - 002 |
|----------------|------------------|

Prior Certification of Funds

In many instances, the Village of Bluffton's transactions did not include certification of the Clerk/Treasurer prior to the commitment being incurred. This procedure is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of the Village funds being over-expended. It was found that in the latter part of 2005, no purchase orders contained the proper certification language.

To improve controls over disbursements, it is recommended that all Village disbursements receive prior certification of the Clerk/Treasurer and that the Village Council periodically review the expenditures made to ensure they are properly certified by the Clerk/Treasurer and recorded against appropriations.

VILLAGE RESPONSE - The Village recognizes the problem, has made improvement over the prior audit, and will continue to work to correct this problem.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2005 and 2004

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|---|
| 2003-8140-001 | ORC 5705.41(D) Certificate of Fiscal Officer | NO | Not Corrected - Repeated as current year finding 2005-8140-001 |
| 2003-8140-002 | Prior Certification of Funds | NO | Not Corrected - Repeated as current year finding 2005-8140-002 |



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VILLAGE OF BLUFFTON

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
DECEMBER 12, 2006**