



Certified Public Accountants, A.C.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES
Regular Audit
For the Year Ended December 31, 2016**

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St.,
Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave.,
Suite 300
Cambridge, OH 43725
740.435.3417

www.perrycpas.com



Dave Yost • Auditor of State

Village Council
Village of Bluffton
P.O. Box 63
Bluffton, OH 45817

We have reviewed the *Independent Auditor's Report* of the Village of Bluffton, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2016. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 19, 2018

This page intentionally left blank.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position – Cash Basis	3
Statement of Activities – Cash Basis	4
Statement of Assets and Fund Balances – Cash Basis	5
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	6
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	7
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Street Fund	8
Statement of Fund Net Position – Cash Basis – Proprietary Funds	9
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Funds	10
Notes to the Basic Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	34
Schedule of Audit Findings	36
Schedule of Prior Audit Findings	39

This page intentionally left blank.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

September 14, 2018

Village of Bluffton
Allen and Hancock Counties
154 North Main Street
Bluffton, OH 45817

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the **Village of Bluffton**, Allen and Hancock Counties, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Bluffton, Allen and Hancock Counties, Ohio, as of December 31, 2016, and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparisons for the General and Street Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of the Village'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,846,652	\$ 1,105,826	\$ 4,952,478
<i>Total Assets</i>	<u>\$ 3,846,652</u>	<u>\$ 1,105,826</u>	<u>\$ 4,952,478</u>
Net Position			
Restricted for:			
Unclaimed Monies	\$ 225	\$ -	\$ 225
Capital Projects	644,192	576,458	1,220,650
Debt Service	863	97,126	97,989
Other Purposes	45,307	-	45,307
Permanent Fund Purpose:			
Nonexpendable	1,500	-	1,500
Expendable	351	-	351
Unrestricted	<u>3,154,214</u>	<u>432,242</u>	<u>3,586,456</u>
<i>Total Net Position</i>	<u>\$ 3,846,652</u>	<u>\$ 1,105,826</u>	<u>\$ 4,952,478</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 610,298	\$ -	\$ 4,670	\$ -	\$ (605,628)	\$ -	\$ (605,628)
Security of Persons and Property	777,949	230,214	-	1,000	(546,735)	-	(546,735)
Public Health Services	65,929	81,823	300	-	16,194	-	16,194
Leisure Time Activities	99,182	70,967	24,770	-	(3,445)	-	(3,445)
Basic Utility Services	15,903	-	-	-	(15,903)	-	(15,903)
Transportation	312,958	-	-	-	(312,958)	-	(312,958)
Capital Outlay	429,438	-	-	21,985	(407,453)	-	(407,453)
Debt Service:							
Principal Retirement	15,818	-	-	-	(15,818)	-	(15,818)
Interest and Fiscal Charges	171	-	-	-	(171)	-	(171)
<i>Total Governmental Activities</i>	<u>2,327,646</u>	<u>383,004</u>	<u>29,740</u>	<u>22,985</u>	(1,891,917)	-	(1,891,917)
Business-Type Activities							
Water	805,055	1,060,393	-	-	-	255,338	255,338
Sewer	546,236	840,681	-	-	-	294,445	294,445
Water Debt Service	488,763	-	-	-	-	(488,763)	(488,763)
Water/Sewer Improvement	1,420,983	-	19,774	-	-	(1,401,209)	(1,401,209)
Other Enterprise Funds	452,037	217,231	-	-	-	(234,806)	(234,806)
<i>Total Business-Type Activities</i>	<u>3,713,074</u>	<u>2,118,305</u>	<u>19,774</u>	<u>-</u>	<u>-</u>	<u>(1,574,995)</u>	<u>(1,574,995)</u>
<i>Total</i>	<u>\$ 6,040,720</u>	<u>\$ 2,501,309</u>	<u>\$ 49,514</u>	<u>\$ 22,985</u>	<u>\$ (1,891,917)</u>	<u>\$ (1,574,995)</u>	<u>\$ (3,466,912)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes				173,165	-		173,165
Municipal Income Taxes				2,166,418	541,250		2,707,668
Other Taxes				27,975	-		27,975
Loan Proceeds				5,098	1,051,885		1,056,983
Interest				10,780	-		10,780
Surcharge				-	144,797		144,797
Miscellaneous				318,616	15,589		334,205
Total General Receipts				2,702,052	1,753,521		4,455,573
Transfers				(150,000)	150,000		-
Total General Receipts and Transfers				2,552,052	1,903,521		4,455,573
Change in Net Position				660,135	328,526		988,661
<i>Net Position, Beginning of Year</i>				3,186,517	777,300		3,963,817
<i>Net Position, End of Year</i>				<u>\$ 3,846,652</u>	<u>\$ 1,105,826</u>		<u>\$ 4,952,478</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
DECEMBER 31, 2016**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,943,839	\$ 174,324	\$ 728,489	\$ 3,846,652
<i>Total Assets</i>	<u>\$ 2,943,839</u>	<u>\$ 174,324</u>	<u>\$ 728,489</u>	<u>\$ 3,846,652</u>
Fund Balances				
Nonspendable	\$ 225	\$ -	\$ 1,500	\$ 1,725
Restricted	-	174,324	516,389	690,713
Committed	-	-	210,600	210,600
Assigned	359,450	-	-	359,450
Unassigned	2,584,164	-	-	2,584,164
<i>Total Fund Balances</i>	<u>\$ 2,943,839</u>	<u>\$ 174,324</u>	<u>\$ 728,489</u>	<u>\$ 3,846,652</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 201,140	\$ -	\$ -	\$ 201,140
Municipal Income Taxes	2,166,418	-	-	2,166,418
Intergovernmental	119,011	136,546	34,054	289,611
Special Assessments	-	201	-	201
Charges for Services	353,182	-	29,822	383,004
Fines, Licenses and Permits	4,998	-	50	5,048
Gifts and Contributions	24,770	-	4,970	29,740
Earnings on Investments	10,345	339	96	10,780
Miscellaneous	35,661	8,244	250	44,155
<i>Total Cash Receipts</i>	<u>2,915,525</u>	<u>145,330</u>	<u>69,242</u>	<u>3,130,097</u>
Cash Disbursements				
Current:				
Security of Persons and Property	777,949	-	-	777,949
Public Health Services	35,329	-	30,600	65,929
Leisure Time Activities	99,182	-	-	99,182
Basic Utility Services	15,650	-	253	15,903
Transportation	73,160	239,798	-	312,958
General Government	605,478	-	4,820	610,298
Capital Outlay	164,467	120,469	144,502	429,438
Debt Service:				
Principal Retirement	-	553	15,265	15,818
Interest and Fiscal Charges	-	171	-	171
<i>Total Cash Disbursements</i>	<u>1,771,215</u>	<u>360,991</u>	<u>195,440</u>	<u>2,327,646</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>1,144,310</u>	<u>(215,661)</u>	<u>(126,198)</u>	<u>802,451</u>
Non-Operating Cash Receipts/Disbursements				
Line of Credit Proceeds	-	5,098	-	5,098
Sale of Fixed Assets	2,586	-	-	2,586
Transfers In	-	250,000	213,300	463,300
Advances In	-	-	17,426	17,426
Transfers Out	(613,300)	-	-	(613,300)
Advances Out	(17,426)	-	-	(17,426)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(628,140)</u>	<u>255,098</u>	<u>230,726</u>	<u>(142,316)</u>
<i>Net Change in Fund Cash Balances</i>	516,170	39,437	104,528	660,135
<i>Fund Cash Balances, January 1</i>	<u>2,427,669</u>	<u>134,887</u>	<u>623,961</u>	<u>3,186,517</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,943,839</u>	<u>\$ 174,324</u>	<u>\$ 728,489</u>	<u>\$ 3,846,652</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Property and Other Local Taxes	\$ 190,300	\$ 190,300	\$ 201,140	\$ 10,840
Municipal Income Taxes	1,752,000	1,752,000	2,166,418	414,418
Intergovernmental	126,650	126,650	119,011	(7,639)
Charges for Services	330,000	330,000	353,182	23,182
Fines, Licenses and Permits	8,115	8,115	4,998	(3,117)
Gifts and Contributions	62,000	62,000	24,770	(37,230)
Earnings on Investments	1,750	1,750	10,345	8,595
Miscellaneous	25,576	25,576	38,247	12,671
<i>Total Cash Receipts</i>	<u>2,496,391</u>	<u>2,496,391</u>	<u>2,918,111</u>	<u>421,720</u>
Cash Disbursements				
Current:				
Security of Persons and Property	799,013	829,320	808,843	20,477
Public Health Services	41,000	37,073	35,329	1,744
Leisure Time Activities	93,219	104,120	99,182	4,938
Community Environment	1,500	1,500	-	1,500
Basic Utility Services	18,500	15,650	15,650	-
Transportation	76,100	82,950	73,160	9,790
General Government	623,375	680,098	635,478	44,620
Capital Outlay	170,250	214,837	164,467	50,370
<i>Total Cash Disbursements</i>	<u>1,822,957</u>	<u>1,965,548</u>	<u>1,832,109</u>	<u>133,439</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>673,434</u>	<u>530,843</u>	<u>1,086,002</u>	<u>555,159</u>
Non-Operating Cash Receipts/Disbursements				
Transfers In	31,000	31,000	-	(31,000)
Transfers Out	(635,000)	(675,300)	(613,300)	62,000
Advances Out	-	(17,426)	(17,426)	-
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(604,000)</u>	<u>(661,726)</u>	<u>(630,726)</u>	<u>31,000</u>
<i>Net Receipts Over (Under) Disbursements</i>	69,434	(130,883)	455,276	586,159
<i>Cash Balance, January 1</i>	<u>2,360,038</u>	<u>2,360,038</u>	<u>2,360,038</u>	<u>-</u>
Prior Year Encumbrances Appropriated	67,631	67,631	67,631	-
<i>Cash Balance, December 31</i>	<u>\$ 2,497,103</u>	<u>\$ 2,296,786</u>	<u>\$ 2,882,945</u>	<u>\$ 586,159</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Intergovernmental	\$ 131,500	\$ 131,500	\$ 136,546	\$ 5,046
Special Assessments	2,700	2,700	201	(2,499)
Earnings on Investments	120	120	339	219
Miscellaneous	500	500	8,244	7,744
<i>Total Cash Receipts</i>	<u>134,820</u>	<u>134,820</u>	<u>145,330</u>	<u>10,510</u>
Cash Disbursements				
Current:				
Transportation	192,956	247,252	249,283	(2,031)
Capital Outlay	230,248	296,500	245,455	51,045
Debt Service:				
Principal Retirement	-	-	553	(553)
Interest and Fiscal Charges	-	-	171	(171)
<i>Total Cash Disbursements</i>	<u>423,204</u>	<u>543,752</u>	<u>495,462</u>	<u>48,290</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>(288,384)</u>	<u>(408,932)</u>	<u>(350,132)</u>	<u>58,800</u>
Non-Operating Cash Receipts/Disbursements				
Line of Credit Proceeds	-	-	5,098	5,098
Transfers In	240,000	240,000	250,000	10,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>240,000</u>	<u>240,000</u>	<u>255,098</u>	<u>15,098</u>
<i>Net Receipts Over (Under) Disbursements</i>	<u>(48,384)</u>	<u>(168,932)</u>	<u>(95,034)</u>	<u>73,898</u>
<i>Cash Balance, January 1</i>	<u>131,446</u>	<u>131,446</u>	<u>131,446</u>	<u>-</u>
Prior Year Encumbrances Appropriated	3,441	3,441	3,441	-
<i>Cash Balance, December 31</i>	<u>\$ 86,503</u>	<u>\$ (34,045)</u>	<u>\$ 39,853</u>	<u>\$ 73,898</u>

See accompanying notes to the basic financial statements

VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-Type Activities					Total Enterprise Funds
	Water	Sewer	Water Debt Service	Water/Sewer Improvement	Other Enterprise	
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 199,817	\$ 147,376	\$ 53,000	\$ 576,458	\$ 129,175	\$ 1,105,826
<i>Total Assets</i>	<u>\$ 199,817</u>	<u>\$ 147,376</u>	<u>\$ 53,000</u>	<u>\$ 576,458</u>	<u>\$ 129,175</u>	<u>\$ 1,105,826</u>
Net Position						
Restricted for:						
Capital Projects	\$ -	\$ -	\$ 53,000	\$ 576,458	\$ 44,126	\$ 673,584
Unrestricted	199,817	147,376	-	-	85,049	432,242
<i>Total Net Position</i>	<u>\$ 199,817</u>	<u>\$ 147,376</u>	<u>\$ 53,000</u>	<u>\$ 576,458</u>	<u>\$ 129,175</u>	<u>\$ 1,105,826</u>

See accompanying notes to the basic financial statements

VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary Fund Type					Total Enterprise Funds
	Water	Sewer	Water Debt Service	Water/Sewer Improvement	Other Enterprise	
Operating Cash Receipts						
Charges for Services	\$ 1,060,393	\$ 840,681	\$ -	\$ -	\$ 217,231	\$ 2,118,305
Surcharge	120,991	23,806	-	-	-	144,797
Miscellaneous	10,823	2,788	-	-	1,978	15,589
<i>Total Operating Cash Receipts</i>	<u>1,192,207</u>	<u>867,275</u>	<u>-</u>	<u>-</u>	<u>219,209</u>	<u>2,278,691</u>
Operating Cash Disbursements						
Personal Services	99,101	156,503	-	-	-	255,604
Fringe Benefits	31,625	54,147	-	-	-	85,772
Contractual Services	581,792	214,720	-	-	191,981	988,493
Supplies and Materials	85,874	65,492	-	-	-	151,366
<i>Total Operating Cash Disbursements</i>	<u>798,392</u>	<u>490,862</u>	<u>-</u>	<u>-</u>	<u>191,981</u>	<u>1,481,235</u>
<i>Operating Income (Loss)</i>	393,815	376,413	-	-	27,228	797,456
Non-Operating Receipts (Disbursements)						
Municipal Income Taxes	-	-	-	541,250	-	541,250
Special Assessments	-	-	-	19,774	-	19,774
Debt Proceeds	-	-	-	1,051,885	-	1,051,885
Capital Outlay	(6,663)	(18,347)	-	(1,416,632)	-	(1,441,642)
Principal Retirement	-	(17,769)	(351,219)	-	(149,334)	(518,322)
Interest and Other Fiscal Charges	-	(19,258)	(137,544)	(4,351)	(110,722)	(271,875)
Transfers In	150,000	-	488,763	-	260,056	898,819
Transfers Out	(488,763)	(260,056)	-	-	-	(748,819)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(345,426)</u>	<u>(315,430)</u>	<u>-</u>	<u>191,926</u>	<u>-</u>	<u>(468,930)</u>
<i>Net Receipts Over Disbursements</i>	48,389	60,983	-	191,926	27,228	328,526
<i>Cash Balances, January 1</i>	151,428	86,393	53,000	384,532	101,947	777,300
<i>Cash Balances, December 31</i>	<u>\$ 199,817</u>	<u>\$ 147,376</u>	<u>\$ 53,000</u>	<u>\$ 576,458</u>	<u>\$ 129,175</u>	<u>\$ 1,105,826</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Following are the more significant of the Village's accounting policies.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. 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 AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net position 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 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.

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 proprietary 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 two categories, governmental and proprietary.

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 major governmental funds are the General Fund and Street Fund.

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

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

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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 Fund, Sewer Fund, Water Debt Service Fund and Water/Sewer Improvement Fund.

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.

Water Debt Service Fund- The water debt service fund accounts for monies used to repay water related debt.

Water/Sewer Improvement Fund- The water/sewer improvement fund accounts for monies derived from the income tax to pay for improvements to the water and sewer infrastructure and its' related debt.

C. Basis of Accounting

The Village's financial statements are prepared using the 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 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 liabilities and the related expenses) 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.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. 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.

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".

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, respectively.

During 2016, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. The nonnegotiable certificates of deposits are reported at cost. The Village's money market fund investment is recorded at the amount reported by The Citizens National Bank and The First National Bank at December 31, 2016.

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, 2016.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 were \$10,345.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as restricted. Restricted Assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of capital assets originally acquired with bond proceeds.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. 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 8 and 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Long-Term Obligations

The Village's 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 another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

M. Net Position

Net position is 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 position restricted for other purposes include resources restricted for the renovation of Town Hall, safety service capital improvements, airport improvements, street maintenance, cemetery maintenance, special assessments, and resources related to Mayor's court.

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.

N. Fund Balance Reserves

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves (continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. 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.

Note 3 – 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 is 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 cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (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 (cash basis)). The encumbrances outstanding at year end (budgetary basis) for the General Fund amounted to \$65,671 in 2016, encumbrances in the Street Fund amounted to \$134,471 in 2016.

Note 4 – Deposits and Investments

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

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 4 – Deposits and Investments (continued)

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;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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 year end, the Village had \$3,450 in undeposited cash on hand which is included as part of "Cash" or "Equity in Pooled Cash and Cash Equivalents".

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 4 – Deposits and Investments (continued)

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, 2016, \$3,989,000 of the Village's bank balance of \$5,012,458 was 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.

Investments

As of December 31, 2016, the Village had the following investments:

STAR Ohio	<u>Carrying Value</u>
December 31, 2016	\$14,876

STAR Ohio is an investment pool managed by the Treasurer of 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 and Poor's. Interest rate risk arises because potential purchases 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.

The Village has no investment policy dealing with investment credit risk beyond the requirements in state statute. 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 5 – Income Taxes

The Village levies a one and a quarter percent income tax whose proceeds are placed into the General Fund (one percent) and Water/Sewer Improvement Fund (quarter percent). 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 latter case, the Village allows a credit of the lesser of actual taxes paid to another city of one hundred percent of the one and a quarter 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 an annual return.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, and public utility property and tangible personal property located in the Village. Real property tax receipts received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2015, were levied after October 1, 2015, 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.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2016 property tax receipts were based was \$82,024,920.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - Village employees, other than full-time police, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

A. Ohio Public Employees Retirement System (Continued)

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.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 w ith 60 months of service credit or Age 55 w ith 25 years of service credit	Age and Service Requirements: Age 60 w ith 60 months of service credit or Age 55 w ith 25 years of service credit	Age and Service Requirements: Age 57 w ith 25 years of service credit or Age 62 w ith 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 w ith 25 years of service credit or Age 52 w ith 15 years of service credit	Age and Service Requirements: Age 48 w ith 25 years of service credit or Age 52 w ith 15 years of service credit	Age and Service Requirements: Age 52 w ith 25 years of service credit or Age 56 w ith 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 w ith 15 years of service credit	Age and Service Requirements: Age 48 w ith 25 years of service credit or Age 52 w ith 15 years of service credit	Age and Service Requirements: Age 48 w ith 25 years of service credit or Age 56 w ith 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

A. Ohio Public Employees Retirement System (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$83,132 for year 2016.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - Village full-time police participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$66,079 for 2016.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2017, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 9 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017, decreased to 1.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$13,856, \$13,392, and \$12,854, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 9 - Postemployment Benefits

Ohio Police and Fire Pension Fund (Continued)

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$1,739, \$1,962, and \$1,870, respectively. The full amount has been contributed for all three years.

Note 10 – Debt

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying financial statements.

The Village's long-term debt activity for the year ended December 31, 2016, are as follows:

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (Continued)

	Interest Rate	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental-Type Activities						
Citizens National- Loan Skid Loader	0.00%	\$ 30,528	\$ -	\$ (15,265)	\$ 15,263	\$ 15,263
First National Line of Credit	2.81%	6,648	5,097	(553)	11,192	11,192
Total Governmental-Type Activities		<u>\$ 37,176</u>	<u>\$ 5,097</u>	<u>\$ (15,818)</u>	<u>\$ 26,455</u>	<u>\$ 26,455</u>

The Citizens National Bank loan is for the purchase of a skid loader. Repayment of the debt is provided for by General Fund monies.

The Village also has a line of credit with First National Bank. The line of credit is used for the financing of sidewalks. The line of credit will be paid through assessments to the property owner.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (continued)

Business Type Activities						
Description	Interest Rate	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
OWDA Loan #3207 Water System Improvements	5.77%	\$1,118,623		\$(75,294)	\$1,043,329	\$79,701
OWDA Loan #3736 Wastewater Treatment	4.64%	485,844		(17,769)	468,075	18,603
OWDA Loan #4777 Waterline from Ottawa	2.75%	3,146,848		(204,407)	2,942,441	210,067
OPWC Loan CM22C Elevated Water Storage Tank	0.00%	49,057		(8,176)	40,881	8,176
OPWC Loan CM26I Main St. Waterline Replacement	0.00%	243,739		(20,312)	223,427	20,312
OPWC Loan CM13N South Main St. Waterline Replacement	0.00%	90,114		(5,301)	84,813	5,301
OPWC Loan CM32P Cherry and Mound Waterline Replacement	0.00%	236,616		(8,604)	228,012	8,604
OPWC Loan CM25P Lawn, Jackson, Grove Waterline Replacement	0.00%	270,341		(9,831)	260,510	9,831
OPWC Loan CM27R Garmatter Waterline Replacement	0.00%	86,652		(2,888)	83,764	2,888
First National Bank Loan – Jackson, Elm Waterline Replacement	2.72%	278,350		(16,406)	261,944	17,260
Citizen's National Bank – West Side Interceptor	3.97%	0	1,051,885	(0)	1,051,885	106,455
Citizen's National Bank Sewer Plant	3.90%	2,901,143		(149,334)	2,751,809	155,583
Total Business Type Activities		\$8,907,327	\$1,051,885	\$(518,322)	\$9,440,890	\$642,781

The Ohio Water Development Authority (OWDA) #3207 Water System Improvements loan relates to the construction of two water towers. The loan will be repaid in semiannual installments \$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 Ohio Water Development Authority (OWDA) loan #4777 relates to the construction of a waterline from Ottawa to the Village. The loan will be repaid in semiannual installments of \$144,775 including interest over 20 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (continued)

The Ohio Water Development Authority (OWDA) WWTP loan #3736 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 Ohio Public Works Commission (OPWC) loans relate to construction of new waterlines. These are interest free loans. Loan C26I Main Street Waterline replacement with semi-annual payments of \$10,156, to be paid over a term of 20 years. Loan CM13N South Main Street Waterline replacement with semi-annual payments of \$2,650 to be paid over a term of 20 years. Loan CM32P Cherry Mound Waterline Replacement with semi-annual payments of \$4,302 to be paid over a term of 30 years. Loan CM25P Lawn, Jackson, and Grove Waterline replacement with semi-annual payments of \$4,915 to be paid over a term of 30 years. Loan CM27R Garmatter Waterline replacement with semi-annual payments of \$1,444 to be paid over a term of 30 years. Loan CM22C Elevated Water Storage Tank with semi-annual payments of \$4,088 to be paid over a term of 20 years.

The First National Bank loan relates to the construction of waterline replacements. The interest rate for this loan reset to 2.72% in 2013.

The Citizen's National Bank loan was obtained for the purpose of refinancing the costs of constructing a new wastewater treatment plant (USDA Rural Development Mortgage Revenue bonds). The loan will be repaid over 15 years. Payments will be remitted on a monthly basis.

The Citizen's National Bank West Side Interceptor loan was obtained during 2016 with an interest rate of 3.968%. The loan will be repaid in 20 years beginning in 2017. An amortization schedule is not available as the loan was not fully disbursed as of December 31, 2016.

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (continued)

The following is a summary of the Village’s future annual debt service requirements:

Year Ending December	OPWC Loan CM26I Main Street Waterline			OWDA Loan #3207 Water System			OPWC Loan CM22C Elevated Water Storage Tank		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$20,312	\$-	\$20,312	\$79,701	\$59,067	\$138,768	\$8,176	\$-	\$8,176
2018	20,311	-	20,311	84,366	54,402	138,768	8,176	-	8,176
2019	20,312	-	20,312	89,304	49,464	138,768	8,176	-	8,176
2020	20,311	-	20,311	94,532	44,236	138,768	8,176	-	8,176
2021	20,312	-	20,312	100,064	38,704	138,768	8,177	-	8,177
2022-2026	101,558	-	101,558	595,362	98,476	693,838	-	-	-
2027-2030	20,311	-	20,311	-	-	-	-	-	-
Total	\$223,427	\$-	\$223,427	\$1,043,329	\$344,349	\$1,387,678	\$40,881	\$-	\$40,881

Year Ending December	OWDA Loan #3736 Wastewater System			First National Loan Jackson Waterline			Citizens National Loan Sewer Plant		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$18,603	\$21,505	\$40,108	\$17,732	\$6,956	\$24,688	\$155,584	\$104,472	\$260,056
2018	19,476	20,632	40,108	18,218	6,470	24,688	161,757	98,300	260,057
2019	20,391	19,718	40,109	18,717	5,971	24,688	168,174	91,882	260,056
2020	21,347	18,761	40,108	19,230	5,458	24,688	174,599	85,456	260,055
2021	22,350	17,759	40,109	19,756	4,932	24,688	181,773	78,283	260,056
2022-2026	128,505	72,038	200,543	107,198	16,243	123,441	1,022,755	277,526	1,300,281
2027-2031	161,631	38,912	200,543	61,093	627	61,720	887,167	66,373	953,540
2032-2035	75,772	4,446	80,218	-	-	-	-	-	-
Total	\$468,075	\$213,771	\$681,846	\$261,944	\$46,657	\$308,601	\$2,751,809	\$802,292	\$3,554,101

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 10 – Debt (continued)

Year Ending December	OWDA Loan #4777 Ottawa Waterline			OPWC Loan CM13N South Main Waterline			OPWC Loan CM32P Cherry & Mound Waterline		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$210,067	\$79,483	\$289,550	\$5,301	\$-	\$5,301	\$8,604	\$-	\$8,604
2018	215,884	73,666	289,550	5,301	-	5,301	8,604	-	8,604
2019	221,861	67,689	289,550	5,301	-	5,301	8,604	-	8,604
2020	228,005	61,545	289,550	5,301	-	5,301	8,604	-	8,604
2021	234,318	55,232	289,550	5,301	-	5,301	8,605	-	8,605
2022-2026	1,272,578	175,172	1,447,750	26,504	-	26,504	43,021	-	43,021
2027-2031	559,728	19,372	579,100	26,504	-	26,504	43,021	-	43,021
2032-2036	-	-	-	5,300	-	5,300	43,021	-	43,021
2037-2041	-	-	-	-	-	-	43,021	-	43,021
2042-2046	-	-	-	-	-	-	12,907	-	12,907
Total	\$2,942,441	\$532,159	\$3,474,600	\$84,813	\$-	\$84,813	\$228,012	\$-	\$228,012

Year Ending December	OPWC Loan CM25P Lawn, Jackson, Grove Waterline			OPWC Loan CM27R Garmatter Waterline		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$9,830	\$-	\$9,830	\$2,888	\$-	\$2,888
2018	9,831	-	9,831	2,889	-	2,889
2019	9,830	-	9,830	2,888	-	2,888
2020	9,831	-	9,831	2,889	-	2,889
2021	9,830	-	9,830	2,888	-	2,888
2022-2026	49,153	-	49,153	14,442	-	14,442
2027-2031	49,154	-	49,154	14,442	-	14,442
2032-2036	49,153	-	49,153	14,442	-	14,442
2037-2041	49,154	-	49,154	14,442	-	14,442
2042-2046	14,744	-	14,744	11,554	-	11,554
Total	\$260,510	\$-	\$260,510	\$83,764	\$-	\$83,764

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 11 – Interfund Transfers

Fund	2016	
	Transfer In	Transfer Out
General		\$ (613,300)
Street	250,000	
Other Governmental	213,300	
Water	150,000	(488,763)
Sewer		(260,056)
Sewer Debt Service	260,056	
Water Debt Service	488,763	
Total	\$ 1,362,119	\$ (1,362,119)

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.

The General Fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements.

Note 12 – 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.

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 13 – Fund Balances (Continued)

2016			Other	
Fund Balances	General Fund	Street	Governmental Funds	Total
Nonspendable				
Cemetery Trust Corpus	\$ -	\$ -	\$ 1,500	\$ 1,500
Unclaimed Funds	225	-	-	225
<i>Total Nonspendable</i>	<u>225</u>	<u>-</u>	<u>1,500</u>	<u>1,725</u>
Restricted for				
Town Hall Improvements	-	-	368,749	368,749
Police Continuing Education	-	-	2,672	2,672
Street Construction & Maintenance	-	174,324	-	174,324
State Highway	-	-	52,497	52,497
Cemetery	-	-	17,518	17,518
Benroth Memorial Bridge	-	-	535	535
Mayor's Court Computer	-	-	5,113	5,113
National Night Out	-	-	763	763
Shannon Cemetery	-	-	300	300
DUI Enforcement	-	-	319	319
Swimming Pool Debt Service	-	-	863	863
Special Assessments	-	-	1,866	1,866
Permanent Fund Cemetery Trust	-	-	351	351
Airport Improvement	-	-	32,948	32,948
Storm Sewer Improvement	-	-	28,417	28,417
Infrastructure Improvement	-	-	3,478	3,478
<i>Total Restricted</i>	<u>-</u>	<u>174,324</u>	<u>516,389</u>	<u>690,713</u>
Committed for				
Fire & Rescue Improvements	-	-	205,771	205,771
Police Equipment	-	-	4,472	4,472
Swimming Pool Improvement	-	-	57	57
Equipment Replacement	-	-	300	300
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>210,600</u>	<u>210,600</u>
Assigned to				
Subsequent Appropriations	341,883	-	-	341,883
Other Purposes	17,567	-	-	17,567
<i>Total Assigned</i>	<u>359,450</u>	<u>-</u>	<u>-</u>	<u>359,450</u>
Unassigned (deficits):	<u>2,584,164</u>	<u>-</u>	<u>-</u>	<u>2,584,164</u>
<i>Total Fund Balances</i>	<u>\$ 2,943,839</u>	<u>\$ 174,324</u>	<u>\$ 728,489</u>	<u>\$ 3,636,052</u>

This page intentionally left blank.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

September 14, 2018

Village of Bluffton
Allen and Hancock Counties
154 North Main Street
Bluffton, OH 45817

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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 and Hancock Counties (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated September 14, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2016-001 through 2016-003 described in the accompanying schedule of audit findings to be material weaknesses.

www.perrycpas.com

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-004 described in the accompanying schedule of audit findings to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2016-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 14, 2018.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

Material Weakness

Bank to Book Reconciliation

Cash is the asset most susceptible to theft and misappropriation therefore appropriate controls over cash should exist at the Village. Monthly reconciliations between the book balances and the bank and investment accounts is a key control that provides a reasonable assurance that all receipts and disbursements have been accurately and completely recorded in the accounting records and processed by the financial institutions. Additionally, an accurate and complete reconciliation provides the Village with a picture of the financial position at month-end.

The book balance did not reconcile with the bank during any month in 2016. The December 2016 book balance was \$11,099 less than the reconciled bank balance. Unexplained bank to book reconciliation errors reduce accountability and increase the risk that irregularities will not be detected timely. Additionally, when the bank balance is greater than the book balance there is the impression that money collected has not been properly accounted for by the Village.

The variances in the bank to book reconciliations was not fully resolved through the December 2017 reconciliation. The December 2017 variance was \$3,985.

Bank reconciliations should be prepared timely and reviewed for accuracy. The reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. All un-reconciled balances should be researched to determine the source of the error. All reconciling items and errors should be corrected on the Village's accounting system following the completion of the reconciliation. Support should be maintained for adjustments necessary to eliminate variances between the book balances and bank and investment accounts. Village Council should be provided with the monthly bank to book reconciliations for review and, if appropriate, approval. Finally, the review and approval of the bank to book reconciliations should be documented in the minutes.

Management's Response – We did not receive a response for this finding.

FINDING NUMBER 2016-002

Material Weakness

Posting Receipts, Disbursement and Classification of Fund Balances

The Village is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – "Fund Balance Reporting and Governmental Fund Type Definitions."

During 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Subsequent appropriations in the General Fund were classified as Unassigned instead of as Assigned;
- Capital Projects Funds' balances funded by transfers were classified as Restricted instead of as Committed;
- The corpuses of the Permanent Fund trusts were classified as Restricted instead of as Nonspendable;
- Payment recorded as Principal Retirement instead of General Government in the Capital Improvement Fund;

VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2016-002 (Continued)

Posting Receipts, Disbursement and Classification of Fund Balances (Continued)

- Line of credit payments were recorded as Capital Outlay instead of Principal Retirement and Interest and Fiscal Charges in the Street Fund;
- Interceptor project costs recorded as Other Expense instead of Capital Outlay in the Water/Sewer Improvement Fund;
- Sale of assets recorded as Miscellaneous instead of Sale of Fixed Assets in the General Fund.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassification entries. The financial statements reflect all reclassifications. Additional errors noted in immaterial amounts, both individually and in the aggregate by fund type, were included on the summary of unadjusted differences.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

We also recommend the Village refer to the Ohio Village Handbook for guidance to determine the proper posting of receipts and refer to the Auditor of State Technical Bulletin 2011-004 for assistance in classifying fund balances.

Management's Response – We did not receive a response for this finding.

FINDING NUMBER 2016-003

Material Weakness

Outstanding Advances

The Ohio Revised Code requires that if, after an advance has been made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected), the following procedures should be followed retroactively:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (in accordance with Ohio Revised Code Sections 5705.14 through 16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

The Village has advances outstanding from 2016 that have not been repaid. The Village should implement procedures to ensure it is sufficiently tracking all outstanding advances, and that if it is subsequently determined that the outstanding advances will not be repaid, that they take the necessary steps to convert them to transfers.

Management's Response – We did not receive a response for this finding.

VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING 2016-004

Significant Deficiency/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 stating that total appropriations from each fund shall not exceed the total estimated resources in the National Night Out, Storm Sewer Improvement, Swimming Pool Improvement, Equipment Replacement, Airport Improvement and Water/Sewer Improvement Funds.
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations) in the Street, Swimming Pool Improvement, Airport Improvement and Water Funds.
- Violations of Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Village did not properly certify the availability of funds prior to purchase commitment for 25% of the expenditures tested for 2016.

In addition, The Village did not have a control procedure in place to ensure that appropriations, as authorized by the Village Council, were reconciled to the appropriations posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. The budgetary footnote reflects all adjustments. We recommend the Village implement procedures to ensure appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the Council after each amendment.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response for this finding.

VILLAGE OF BLUFFTON
ALLEN AND HANCOCK COUNTIES
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Bank to Book Reconciliation	Not Corrected	Repeated as Finding 2016-001
2015-002	Accuracy of Financial Reporting	Not Corrected	Repeated as Finding 2016-002



Dave Yost • Auditor of State

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
NOVEMBER 8, 2018