



Dave Yost • Auditor of State



VILLAGE OF BLUFFTON  
ALLEN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Bluffton  
Allen and Hancock Counties  
P.O. Box 63  
Bluffton, Ohio 45817

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bluffton, Allen and Hancock Counties, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, 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.

**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, the 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, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General and the Street funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matter**

As disclosed in Note 2P, the Village restated the beginning Net Position and various fund balances as of January 1, 2012.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 10, 2014

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**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED**

This discussion and analysis of the Village of Bluffton's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2013 and December 31, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2013 and 2012 are as follows:

Net assets of governmental activities in 2013 increased \$597,601 or 24.13 percent, a moderate change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

Net assets of governmental activities in 2012 increased \$250,420 or 11.25 percent, a moderate change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Town Hall Improvement Fund.

The Village's general receipts are primarily derived from income taxes. In 2013, these receipts represent 61.73 percent of the total cash received for governmental activities during the year. Income tax receipts for 2013 were down by 2.33 percent compared to 2012. In 2012, these receipts represent 65.81 percent of the total cash received for governmental activities during the year. Income tax receipts for 2012 were up by 9.89 percent compared to 2011.

In 2013, the water operations had a decrease in net assets of \$85,355 and sewer operations had a decrease in net assets of \$58,104.

In 2012, the water operations had a decrease in net assets of \$26,744 and sewer operations had a decrease in net assets of \$651.

The Village has entered into an agreement with the Village of Ottawa for the purchase of water.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**Basis of Accounting**

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

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

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

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

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**Reporting the Government's Most Significant Funds**

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

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise funds are the Water, Sewer, Sewer Debt Service Reserve, Sewer Debt Service, Water Debt Service, Water/Sewer Improvement funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2013 compared to 2012 on a cash basis:

**(Table 1) - Net Position**

	Governmental Activities			Business Type Activities		
	2013	2012	2011	2013	2012	2011
<b>Assets</b>						
Cash and Cash Equivalents	\$3,073,693	\$2,476,092	\$2,326,994	\$810,777	\$1,003,232	\$850,596
Total Assets	<u>3,073,693</u>	<u>2,476,092</u>	<u>2,326,994</u>	<u>810,777</u>	<u>1,003,232</u>	<u>850,596</u>
<b>Net Position</b>						
Restricted for:						
Debt Service	863	863	863	266,650	241,327	226,287
Capital Projects	819,439	647,983	478,854	92,208	174,513	39,649
Other Purposes	207,092	136,190	162,990			
Cemetery Endowment						
Nonexpendable			1,851			
Unrestricted	2,046,299	1,691,056	1,581,114	451,919	587,392	584,660
Total Net Position	<u>\$3,073,693</u>	<u>\$2,476,092</u>	<u>\$2,225,672</u>	<u>\$810,777</u>	<u>\$1,003,232</u>	<u>\$850,596</u>

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net position in 2013, 2012 compared to 2011.

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

	Governmental Activities 2013	Governmental Activities 2012	Governmental Activities 2011	Business Type Activities 2013	Business Type Activities 2012	Business Type Activities 2011
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	\$344,775	\$363,298	\$331,675	\$1,941,307	\$1,895,127	\$1,823,140
Operating Grants and Contributions	249,042	143,957	284,670			0
Capital Grants and Contributions	65,463	10,000	29,659	66,835		
<b>Total Program Receipts</b>	<b>659,280</b>	<b>517,255</b>	<b>646,004</b>	<b>2,008,142</b>	<b>1,895,127</b>	<b>1,823,140</b>
<b>General Receipts:</b>						
Property and Other Local Taxes	187,892	188,828	299,649			
Income Taxes	1,835,425	1,879,230	1,710,016	268,864		
Enterprise Zone Fees			6,548			
Loan Proceeds	61,058			220,864	661,698	37,501
Grants and Entitlements Not Restricted to Specific Programs	156,775	211,431				
Sale of Capital Assets						
Interest	2,478	3,106	6,585			16
Miscellaneous	70,381	55,651	162,353			
<b>Total General Receipts</b>	<b>2,314,009</b>	<b>2,338,246</b>	<b>2,185,151</b>	<b>489,728</b>	<b>661,698</b>	<b>37,517</b>
<b>Total Receipts</b>	<b>2,973,289</b>	<b>2,855,501</b>	<b>2,831,155</b>	<b>2,497,870</b>	<b>2,556,825</b>	<b>1,860,657</b>
<b>Disbursements:</b>						
General Government	474,504	471,037	509,143			
Security of Persons and Property:	727,168	733,227	765,377			
Public Health Services	48,665	59,328	42,861			
Leisure Time Activities	84,085	83,177	104,184			
Community Environment	1,000	1,250				
Basic Utilities	19,500	13,705	10,750			
Transportation	332,736	276,992	320,427			
Capital Outlay	750,030	350,087	424,298			
Debt Service		165,919	334,510			
Water				644,936	592,521	975,131
Sewer				587,911	500,740	516,216
Other Enterprise Funds				1,395,477	1,761,284	1,128,089
<b>Total Disbursements</b>	<b>2,437,688</b>	<b>2,154,722</b>	<b>2,511,550</b>	<b>2,628,324</b>	<b>2,854,545</b>	<b>2,619,436</b>
Excess (Deficiency) Before Transfers	535,601	700,779	319,605	(130,454)	(297,720)	(758,779)
Advances	147,000	(340,856)	(82,890)	(147,000)	340,856	82,890
Transfers	(85,000)	(109,500)	(772,750)	85,000	109,500	772,750
<b>Increase (Decrease) in Net Assets</b>	<b>\$597,601</b>	<b>\$250,423</b>	<b>(\$536,035)</b>	<b>(\$192,454)</b>	<b>\$152,636</b>	<b>\$96,861</b>

Governmental Activities program receipts represent only 27.44 percent of total governmental activities receipts for 2013 and 25.51 percent for 2012 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to Orange and Richland Townships for fire and emergency medical services provided.

General receipts represent 72.56 percent of the Village's total receipts for 2013 and 74.49 percent for 2012, and of this amount, 85.08 percent and 88.36 percent are local income taxes, respectively. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

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

Security of persons and property are the costs of police and fire protection; public health services are deductions for the county health department; leisure time activities are the costs of maintaining the parks and swimming pool; the community environment promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; basic utilities are costs for leaf removal, and transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on pages 13 and 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2013 are for capital outlay, security of persons and property, and general government, which account for 30.76, 29.83, and 19.46 percent of all governmental disbursements, respectively. The major program disbursements for governmental activities in 2012 are for security of persons and property, general government, and capital outlay which account for 34.02, 21.86, and 16.24 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>					
	Total Cost	Net Cost	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services	Of Services	of Services
	2013	2013	2012	2012	2011	2011
General Government	\$474,504	\$334,651	\$471,037	\$471,037	\$509,143	\$232,187
Security of Persons and Property	727,168	445,660	733,227	451,308	765,377	499,223
Public Health Services	48,665	28,848	59,328	29,968	42,861	42,861
Leisure Time Activities	84,085	35,026	83,178	18,410	104,184	45,092
Community Environment	1,000	1,000	1,250	1,250		
Basic Utilities	19,500	1,829	13,705	(3,751)	10,750	(6,454)
Transportation	332,736	181,364	276,992	153,240	320,427	293,860
Capital Outlay	750,030	750,030	350,087	350,087	424,298	424,298
Debt Service	0	0	165,919	165,919	334,510	334,510
<b>Total Expenses</b>	<b>\$2,437,688</b>	<b>\$1,778,408</b>	<b>\$2,154,723</b>	<b>\$1,637,468</b>	<b>\$2,511,550</b>	<b>\$1,865,577</b>

The dependence upon income tax receipts is apparent as 75.29 and 87.21 percent of governmental activities are supported through these general receipts during 2013 and 2012 respectively.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**Business-type Activities**

The water operation of the Village had cash operating receipts above the cash operating disbursements for the years 2013 and 2012. The water from the Village's wells is very high in total dissolved solids and the Village has entered into an agreement with the Village of Ottawa, Ohio to supply water to the Village.

The sewer operation of the Village had cash operating receipts above the cash operating disbursements for the years 2013 and 2012. The Village is under EPA mandate to separate all combined sewers within the system and the Village is in the process of determining the scope and cost of this project.

**The Government's Funds**

In 2013, total governmental funds had receipts of \$3,885,805 and disbursements of \$3,288,205.

General Fund receipts were \$355,805 over disbursements indicating that the General Fund is not in a deficit spending situation.

In 2012, total governmental funds had receipts of \$3,203,499 and disbursements of \$2,953,079.

General Fund receipts were \$42,930 over disbursements indicating that the General Fund is not in a deficit spending situation.

**General Fund Budgeting Highlights**

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

During 2013 and 2012, the Village amended its General Fund budget several times to reflect changing circumstances. In 2013 and 2012, actual receipts were above original budgeted receipts due to increased municipal income taxes and intergovernmental revenue.

In 2013, final disbursements, net of other financing uses, for the General Fund were budgeted at \$1,741,456 while actual disbursements plus encumbrances were \$1,581,624. In 2012, final disbursements for the General Fund were budgeted at \$1,628,708 while actual disbursements plus encumbrances were \$1,484,957. The Village kept spending very close to budgeted amounts as demonstrated by the reported variances.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

Capital Assets

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

Debt

At December 31, 2013, the Government's outstanding principal debt included \$1,256,950 for an OWDA Loan for the Water System, \$65,411 for an Issue II Loan, \$519,026 for an OWDA Loan for the Wastewater System, \$3,291,000 for a USDA Rural Development Loan, \$284,361 for an OPWC Loan for the Main Street Waterline, \$3,539,289 for an OWDA Loan for the Waterline from Ottawa, \$100,717 for an OPWC Loan for the South Main Waterline Replacement, \$253,824 for OPWC Loan for the Cherry & Mound Streets Waterline Replacement, \$290,003 for an OPWC Loan for the Lawn, Jackson, Grove Streets Waterline Replacement, \$311,502 for a First National Bank Loan for Jackson & Elm Streets Waterline Replacement, and \$61,058 for a Citizens National Bank Loan for a skid loader. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

**Contacting the Government's Financial Management**

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

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**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,073,693	\$810,777	\$3,884,470
<i>Total Assets</i>	<u>\$3,073,693</u>	<u>\$810,777</u>	<u>\$3,884,470</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$819,439	\$92,208	\$911,647
Debt Service	863	266,650	267,513
Other Purposes	207,092		207,092
Unrestricted	<u>2,046,299</u>	<u>451,919</u>	<u>2,498,218</u>
<i>Total Net Position</i>	<u>\$3,073,693</u>	<u>\$810,777</u>	<u>\$3,884,470</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$474,504		\$139,853		(\$334,651)		(\$334,651)
Security of Persons and Property	727,168	260,089	11,315	10,104	(445,660)		(445,660)
Public Health Services	48,665	18,767	1,050		(28,848)		(28,848)
Leisure Time Activities	84,085	49,059			(35,026)		(35,026)
Community Environment	1,000				(1,000)		(1,000)
Basic Utility Services	19,500	16,860	811		(1,829)		(1,829)
Transportation	332,736		96,013	55,359	(181,364)		(181,364)
Capital Outlay	750,030				(750,030)		(750,030)
<i>Total Governmental Activities</i>	<u>2,437,688</u>	<u>344,775</u>	<u>249,042</u>	<u>65,463</u>	<u>(1,778,408)</u>		<u>(1,778,408)</u>
<b>Business Type Activity</b>							
Water	644,936	936,053				\$291,117	291,117
Sewer	587,912	800,411				212,499	212,499
Sewer Debt Service	245,280					(245,280)	
Water Debt Service	461,472					(461,472)	(461,472)
Water/Sewer Improvement	491,868			66,835		(425,033)	(425,033)
Other Enterprise Funds	196,857	204,843				7,986	7,986
<i>Total Business Type Activities</i>	<u>2,628,325</u>	<u>1,941,307</u>		<u>66,835</u>		<u>(620,183)</u>	<u>(620,183)</u>
<b>Total</b>	<u>\$5,066,013</u>	<u>\$2,286,082</u>	<u>\$249,042</u>	<u>\$199,133</u>	<u>(1,778,408)</u>	<u>(620,183)</u>	<u>(2,398,591)</u>
<b>General Receipts</b>							
<b>Property Taxes Levied for:</b>							
General Purposes					155,340		155,340
Municipal Income Taxes					1,835,425	268,864	2,104,289
Other Taxes					32,552		32,552
Grants and Entitlements not Restricted for Specific Programs					156,775		156,775
Loan Proceeds					61,058	220,864	281,922
Interest					2,478		2,478
Miscellaneous					70,381		70,381
<i>Total General Receipts</i>					<u>2,314,009</u>	<u>489,728</u>	<u>2,803,737</u>
Transfers					(85,000)	85,000	
Advances					147,000	(147,000)	
<i>Total General Receipts and Transfers</i>					<u>2,376,009</u>	<u>427,728</u>	<u>2,803,737</u>
Change in Net Position					597,601	(192,455)	405,146
<i>Net Position Beginning of Year</i>					<u>2,476,092</u>	<u>1,003,232</u>	<u>3,479,324</u>
<i>Net Position End of Year</i>					<u>\$3,073,693</u>	<u>\$810,777</u>	<u>\$3,884,470</u>

See accompanying notes to the basic financial statements.

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2013*

	General	Street	Townhall Improvement	Fire & Rescue Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,082,700	\$100,213	\$330,857	\$412,733	\$147,190	\$3,073,693
<i>Total Assets</i>	<u>\$2,082,700</u>	<u>\$100,213</u>	<u>\$330,857</u>	<u>\$412,733</u>	<u>\$147,190</u>	<u>\$3,073,693</u>
<b>Fund Balances</b>						
Nonspendable	\$225					\$225
Restricted		\$100,213	\$330,857	\$412,733	\$147,190	990,993
Committed						-
Assigned	343,892					343,892
Unassigned	1,738,583					1,738,583
<i>Total Fund Balances</i>	<u>\$2,082,700</u>	<u>\$100,213</u>	<u>\$330,857</u>	<u>\$412,733</u>	<u>\$147,190</u>	<u>\$3,073,693</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON**  
**ALLEN & HANCOCK COUNTIES**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Street	Townhall Improvement	Fire & Rescue Improvement	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>						
Municipal Income Taxes	\$1,683,431		\$151,994			\$1,835,425
Property and Other Local Taxes	187,892					187,892
Charges for Services	305,966				18,767	324,733
Fines, Licenses and Permits	19,063				979	20,042
Intergovernmental	156,755	133,888		10,104	151,541	452,288
Special Assessments		6,627				6,627
Gifts and Contributions	11,315				1,050	12,365
Interest	2,088	77		269	44	2,478
Miscellaneous	62,141	8,240				70,381
<i>Total Cash Receipts</i>	<u>2,428,651</u>	<u>148,832</u>	<u>151,994</u>	<u>10,373</u>	<u>172,381</u>	<u>2,912,231</u>
<b>Cash Disbursements</b>						
Current:						
General Government	474,504					474,504
Security of Persons and Property	726,695				473	727,168
Public Health Services	28,355				20,310	48,665
Leisure Time Activities	84,085					84,085
Community Environment	1,000					1,000
Basic Utility Services	19,500					19,500
Transportation	112,017	208,362			12,357	332,736
Capital Outlay	68,690	297,189	34,176	51,326	298,649	750,030
<i>Total Cash Disbursements</i>	<u>1,514,846</u>	<u>505,551</u>	<u>34,176</u>	<u>51,326</u>	<u>331,789</u>	<u>2,437,688</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>913,805</u>	<u>(356,719)</u>	<u>117,818</u>	<u>(40,953)</u>	<u>(159,408)</u>	<u>474,543</u>
<b>Other Financing Sources (Uses)</b>						
Loan Proceeds					61,058	61,058
Transfers In	26,000	416,517		90,000	130,000	662,517
Transfers Out	(731,000)				(16,517)	(747,517)
Advances In	250,000					250,000
Advances Out	(103,000)					(103,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(558,000)</u>	<u>416,517</u>		<u>90,000</u>	<u>174,541</u>	<u>123,058</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	355,805	59,798	117,818	49,047	15,133	597,601
<i>Fund Cash Balances, January 1</i>	<u>1,726,895</u>	<u>40,415</u>	<u>213,039</u>	<u>363,686</u>	<u>132,057</u>	<u>2,476,092</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,082,700</u>	<u>\$100,213</u>	<u>\$330,857</u>	<u>\$412,733</u>	<u>\$147,190</u>	<u>\$3,073,693</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$1,450,000	\$1,450,000	\$1,683,431	\$233,431
Property and Other Local Taxes	177,800	177,800	187,892	10,092
Charges for Services	306,400	306,400	305,967	(433)
Fines, Licenses and Permits	16,970	16,970	19,063	2,093
Intergovernmental	120,678	120,678	156,754	36,076
Gifts and Contributions			11,315	11,315
Interest	8,000	8,000	2,088	(5,912)
Miscellaneous	23,000	23,000	62,141	39,141
<i>Total Receipts</i>	2,102,848	2,102,848	2,428,651	325,803
<b>Disbursements</b>				
Current:				
General Government	564,763	562,859	507,615	55,244
Security of Persons and Property	786,081	785,365	752,829	32,536
Public Health Services	41,073	41,073	28,428	12,645
Leisure Time Activities	99,748	100,248	87,392	12,856
Community Environment	2,000	2,000	1,000	1,000
Basic Utility Services	15,000	19,500	19,500	0
Transportation	77,750	117,750	112,017	5,733
Capital Outlay	70,661	112,661	72,843	39,818
<i>Total Disbursements</i>	1,657,076	1,741,456	1,581,624	159,832
<i>Total Receipts Over (Under) Disbursements</i>	445,772	361,392	847,027	485,635
<b>Other Financing Sources (Uses)</b>				
Transfers In	44,000	44,000	26,000	(18,000)
Advances In	250,000	250,000	250,000	
Transfers Out	(941,500)	(941,500)	(731,000)	210,500
Advances Out		(103,000)	(103,000)	
<i>Total Other Financing Sources (Uses)</i>	(647,500)	(750,500)	(558,000)	192,500
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(201,728)	(389,108)	289,027	678,135
<i>Fund Balance, January 1</i>	1,676,140	1,676,140	1,676,140	
Prior Year Encumbrances Appropriated	50,755	50,755	50,755	
<i>Fund Balance, December 31</i>	\$1,474,412	\$1,287,032	\$2,015,922	\$678,135

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Street Fund*  
*For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Fines, Licenses and Permits	20,000	20,000		(20,000)
Intergovernmental	115,000	115,000	133,888	18,888
Special Assessments			6,627	6,627
Interest	1,950	1,950	77	(1,873)
Miscellaneous			8,240	8,240
<i>Total Receipts</i>	<u>136,950</u>	<u>136,950</u>	<u>148,832</u>	<u>11,882</u>
<b>Disbursements</b>				
Current:				
Transportation	212,830	225,729	223,146	2,583
Capital Outlay	300,000	300,000	299,317	683
<i>Total Disbursements</i>	<u>512,830</u>	<u>525,729</u>	<u>522,463</u>	<u>3,266</u>
<i>Total Receipts Over (Under) Disbursements</i>	<u>(375,880)</u>	<u>(388,779)</u>	<u>(373,631)</u>	<u>15,148</u>
<b>Other Financing Sources</b>				
Transfers In	350,000	350,000	416,517	66,517
Excess of Receipts and Other Financing Sources Over (Under) Disbursements	(25,880)	(38,779)	42,886	81,665
<i>Cash Balance, January 1</i>	35,480	35,480	35,480	
Prior Year Encumbrances Appropriated	4,935	4,935	4,935	
<i>Cash Balance, December 31</i>	<u>\$14,535</u>	<u>\$1,636</u>	<u>\$83,301</u>	<u>\$81,665</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Fund NetPosition - Cash Basis*  
*Proprietary Funds*  
*December 31, 2013*

	Business-Type Activities							Total Enterprise Funds
	Water Fund	Sewer Fund	Sewer Debt Service Reserve Fund	Sewer Debt Service Fund	Water Debt Service Fund	Water/Sewer Improvement Fund	Other Enterprise Funds	
<b>Assets</b>								
Equity in Pooled Cash and Cash Equivalents	\$221,209	\$168,127	\$225,528	\$41,122	\$0	\$92,208	\$62,583	\$810,777
<i>Total Assets</i>	<u>221,209</u>	<u>168,127</u>	<u>225,528</u>	<u>41,122</u>	<u>0</u>	<u>92,208</u>	<u>62,583</u>	<u>810,777</u>
<b>Net Position</b>								
Restricted for:								
Capital Projects						92,208		92,208
Debt Service			225,528	41,122				266,650
Unrestricted	221,209	168,127					62,583	451,919
Total Net Position	<u>\$221,209</u>	<u>\$168,127</u>	<u>\$225,528</u>	<u>\$41,122</u>	<u>\$0</u>	<u>\$92,208</u>	<u>\$62,583</u>	<u>\$810,777</u>

See accompanying notes to the basic financial statements.

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Cash Receipts,*  
*Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2013*

	Proprietary Fund Type							Total Enterprise Funds
	Water Fund	Sewer Fund	Sewer Debt Service Reserve Fund	Sewer Debt Service	Water Debt Service	Water/Sewer Improvement Fund	Other Enterprise Funds	
<b>Operating Cash Receipts</b>								
Charges for Services	\$928,811	\$796,211					\$204,843	\$1,929,865
Municipal Income Taxes						\$268,864		\$268,864
Special Assessment Charges						\$66,835		\$66,835
Other Operating Receipts	7,242	4,200						11,442
<b>Total Operating Cash Receipts</b>	<b>936,053</b>	<b>800,411</b>				<b>335,699</b>	<b>204,843</b>	<b>2,277,006</b>
<b>Operating Cash Disbursements</b>								
Personal Services	67,343	127,776						195,119
Fringe Benefits	22,133	42,954						65,087
Contractual Services	512,083	244,711					196,857	953,651
Materials and Supplies	43,377	67,754						111,131
Capital Outlay		64,608				491,868		556,476
<b>Total Operating Cash Disbursements</b>	<b>644,936</b>	<b>547,803</b>				<b>491,868</b>	<b>196,857</b>	<b>1,881,464</b>
Operating Income (Loss)	291,117	252,608				(156,169)	7,986	395,542
<b>Non-Operating Cash Receipts/ Disbursements</b>								
Proceeds from OPWC Loan						220,864		220,864
Proceeds from OPWC Grant								
Interest								
Principal Payments		(15,485)		(\$93,000)	(\$275,977)			(384,462)
Interest and Fiscal Charges		(24,624)		(152,280)	(185,495)			(362,399)
Transfers In	85,000		\$24,603	246,000	461,472			817,075
Transfers Out	(461,472)	(270,603)						(732,075)
Advances In						103,000		103,000
Advances Out						(250,000)		(250,000)
<b>Total Non-Operating Cash Receipts/ Disbursements</b>	<b>(376,472)</b>	<b>(310,712)</b>	<b>24,603</b>	<b>720</b>		<b>73,864</b>		<b>(587,997)</b>
Change in Net Position	(85,355)	(58,104)	24,603	720		(82,305)	7,986	(192,455)
Net Position, January 1	306,564	226,231	200,925	40,402		174,513	54,597	1,003,232
Net Position, December 31	<u>\$221,209</u>	<u>\$168,127</u>	<u>\$225,528</u>	<u>\$41,122</u>	<u>\$0</u>	<u>\$92,208</u>	<u>\$62,583</u>	<u>\$810,777</u>

See accompanying notes to the basic financial statements.



**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Net Position - Cash Basis*  
*December 31, 2012*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,476,092	\$1,003,232	\$3,479,324
<i>Total Assets</i>	<u>\$2,476,092</u>	<u>\$1,003,232</u>	<u>\$3,479,324</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$647,983	\$174,513	\$822,496
Debt Service	863	241,327	242,190
Other Purposes	136,190		136,190
Unrestricted	<u>1,691,056</u>	<u>587,392</u>	<u>2,278,448</u>
<i>Total Net Position</i>	<u>\$2,476,092</u>	<u>\$1,003,232</u>	<u>\$3,479,324</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2012*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$471,037				(\$471,037)		(\$471,037)
Security of Persons and Property	733,227	256,442	15,477	10,000	(451,308)		(451,308)
Public Health Services	59,328	29,360			(29,968)		(29,968)
Leisure Time Activities	83,178	61,018	3,750		(18,410)		(18,410)
Community Environment	1,250				(1,250)		(1,250)
Basic Utility Services	13,705	16,478	978		3,751		3,751
Transportation	276,992		123,752		(153,240)		(153,240)
Capital Outlay	350,087				(350,087)		(350,087)
Debt Service:							
Principal Retirement	162,925				(162,925)		(162,925)
Interest and Fiscal Charges	2,994				(2,994)		(2,994)
<b>Total Governmental Activities</b>	<b>2,154,723</b>	<b>363,298</b>	<b>143,957</b>	<b>10,000</b>	<b>(1,637,468)</b>		<b>(1,637,468)</b>
<b>Business Type Activity</b>							
Water	592,521	931,531				\$339,010	339,010
Sewer	500,740	770,692				269,952	269,952
Sewer Debt Service Reserve							
Sewer Debt Service	245,285					(245,285)	
Water Debt Service	365,754					(365,754)	(365,754)
Water/Sewer Improvement	977,190					(977,190)	(977,190)
Other Enterprise Funds	173,055	192,904				19,849	19,849
<b>Total Business Type Activities</b>	<b>2,854,545</b>	<b>1,895,127</b>				<b>(959,418)</b>	<b>(959,418)</b>
<b>Total</b>	<b>\$5,009,268</b>	<b>2,258,425</b>	<b>143,957</b>	<b>\$10,000</b>	<b>(1,637,468)</b>	<b>(959,418)</b>	<b>(2,596,886)</b>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes							
					159,186		159,186
Municipal Income Taxes							
					1,879,230		1,879,230
Other Taxes							
					29,642		29,642
Grants and Entitlements not Restricted for Specific Programs							
					211,431		211,431
Loan Proceeds							
						661,698	661,698
Interest							
					3,106		3,106
Miscellaneous							
					55,651		55,651
<b>Total General Receipts</b>					<b>2,338,246</b>	<b>661,698</b>	<b>2,999,944</b>
Transfers							
					(109,500)	109,500	
Advances							
					(340,856)	340,856	
<b>Total General Receipts and Transfers/Advances</b>					<b>1,887,890</b>	<b>1,112,054</b>	<b>2,999,944</b>
<b>Change in Net Position</b>					<b>250,422</b>	<b>152,636</b>	<b>403,058</b>
<b>Net Position Beginning of Year (restated)</b>					<b>2,225,672</b>	<b>850,596</b>	<b>3,076,268</b>
<b>Net Position End of Year</b>					<b>\$2,476,094</b>	<b>\$1,003,232</b>	<b>\$3,479,326</b>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2012*

	General	TownHall Improvement	Street	Fire & Rescue Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,726,895	\$213,039	\$40,415	\$363,686	\$132,057	\$2,476,092
<i>Total Assets</i>	<u>1,726,895</u>	<u>213,039</u>	<u>40,415</u>	<u>363,686</u>	<u>132,057</u>	<u>2,476,092</u>
<b>Fund Balances</b>						
Nonspendable	225					225
Restricted		213,039	40,415	363,686	132,057	749,197
Assigned	281,507					281,507
Unassigned	1,445,163					1,445,163
<i>Total Fund Balances</i>	<u>\$1,726,895</u>	<u>\$213,039</u>	<u>\$40,415</u>	<u>\$363,686</u>	<u>\$132,057</u>	<u>\$2,476,092</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON**  
**ALLEN & HANCOCK COUNTIES**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Street	Townhall Improvement	Fire & Rescue Improvement	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>						
Municipal Income Taxes	\$1,503,404		\$375,826			\$1,879,230
Property and Other Local Taxes	179,184					179,184
Charges for Services	333,938				\$29,360	363,298
Fines, Licenses and Permits	19,121					19,121
Intergovernmental	211,431	143,955		10,000	12,413	377,799
Gifts and Contributions	115				1,300	1,415
Interest	2,793	48		245	20	3,106
Miscellaneous	25,502	6,044			800	32,346
<i>Total Cash Receipts</i>	<u>2,275,488</u>	<u>150,047</u>	<u>375,826</u>	<u>10,245</u>	<u>43,893</u>	<u>2,855,499</u>
<b>Cash Disbursements</b>						
Current:						
General Government	471,037					471,037
Security of Persons and Property	732,831				396	733,227
Public Health Services	37,676				21,652	59,328
Leisure Time Activities	83,178					83,178
Community Environment	1,250					1,250
Basic Utility Services	13,705					13,705
Transportation	71,144	201,841			4,007	276,992
Capital Outlay	23,381	198,484		10,832	117,390	350,087
Debt Service:						0
Principal Retirement			162,925			162,925
Interest and Fiscal Charges			2,994			2,994
<i>Total Cash Disbursements</i>	<u>1,434,202</u>	<u>400,325</u>	<u>165,919</u>	<u>10,832</u>	<u>143,445</u>	<u>2,154,723</u>
<i>Total Cash Receipts Over (Under) Cash Disbursements</i>	<u>841,286</u>	<u>(250,278)</u>	<u>209,907</u>	<u>(587)</u>	<u>(99,552)</u>	<u>700,776</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In		225,000		90,000	33,000	348,000
Transfers Out	(457,500)					(457,500)
Advances Out	(340,856)					(340,856)
<i>Total Other Financing Sources (Uses)</i>	<u>(798,356)</u>	<u>225,000</u>		<u>90,000</u>	<u>33,000</u>	<u>(450,356)</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	42,930	(25,278)	209,907	89,413	(66,552)	250,420
<i>Fund Cash Balances, January 1 - restated</i>	<u>1,683,965</u>	<u>65,693</u>	<u>3,132</u>	<u>274,273</u>	<u>198,609</u>	<u>2,225,672</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,726,895</u>	<u>\$40,415</u>	<u>\$213,039</u>	<u>\$363,686</u>	<u>\$132,057</u>	<u>\$2,476,092</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Municipal Income Taxes	\$1,356,274	\$1,356,274	\$1,503,404	\$147,130
Property and Other Local Taxes	173,300	173,300	179,184	5,884
Charges for Services	304,400	304,400	333,938	29,538
Fines, Licenses and Permits	16,470	16,470	19,121	2,651
Intergovernmental	131,150	131,150	211,431	80,281
Gifts and Contributions	50	50	115	65
Interest	2,900	2,900	2,793	(107)
Miscellaneous	17,500	17,500	25,502	8,002
<i>Total Receipts</i>	<u>2,002,044</u>	<u>2,002,044</u>	<u>2,275,488</u>	<u>273,444</u>
<b>Disbursements</b>				
Current:				
General Government	523,245	560,271	478,203	82,068
Security of Persons and Property	778,670	788,199	761,690	26,509
Public Health Services	31,000	43,183	37,749	5,434
Leisure Time Activities	105,125	82,550	86,674	(4,124)
Community Environment	2,000	2,000	1,250	750
Basic Utility Services	11,000	13,705	13,705	
Transportation	74,000	73,000	76,644	(3,644)
Capital Outlay	70,538	65,800	29,042	36,758
<i>Total Disbursements</i>	<u>1,595,579</u>	<u>1,628,708</u>	<u>1,484,957</u>	<u>143,751</u>
<i>Receipts Over Disbursements</i>	<u>406,465</u>	<u>373,336</u>	<u>790,531</u>	<u>417,195</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	56,000	56,000		(56,000)
Advances In	82,890	82,890		(82,890)
Transfers Out	(629,000)	(573,998)	(457,500)	116,498
Advances Out		(340,856)	(340,856)	
<i>Total Other Financing Sources (Uses)</i>	<u>(490,110)</u>	<u>(775,964)</u>	<u>(798,356)</u>	<u>(22,392)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(83,645)	(402,628)	(7,825)	394,803
<i>Fund Balance, January 1</i>	1,668,176	1,668,176	1,668,176	
Prior Year Encumbrances Appropriated	15,789	15,789	15,789	
<i>Fund Balance, December 31</i>	<u>\$1,584,531</u>	<u>\$1,265,548</u>	<u>\$1,676,140</u>	<u>\$394,803</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Street Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$100,000	\$100,000		(\$100,000)
Fines, Licenses and Permits	20,000	20,000		(20,000)
Intergovernmental			\$143,955	143,955
Interest	500	500	48	(452)
Miscellaneous			6,044	6,044
<i>Total Receipts</i>	120,500	120,500	150,047	29,547
<b>Disbursements</b>				
Current:				
Transportation	229,329	209,191	206,776	2,415
Capital Outlay	150,000	208,294	198,484	9,810
<i>Total Disbursements</i>	379,329	417,485	405,260	12,225
<i>Total Receipts (Under) Disbursements</i>	(258,829)	(296,985)	(255,213)	41,772
<b>Other Financing Sources</b>				
Transfers In	225,000	225,000	225,000	
Excess of Receipts and Other Financing Sources (Under) Disbursements	(33,829)	(71,985)	(30,213)	41,772
<i>Fund Balance, January 1</i>	65,693	65,693	65,693	
<i>Fund Balance, December 31</i>	\$31,864	(\$6,292)	\$35,480	\$41,772

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, 2012*

	<b>Business-Type Activities</b>							<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Sewer Debt Service Reserve Fund</b>	<b>Sewer Debt Service Fund</b>	<b>Water Debt Service Fund</b>	<b>Water/Sewer Improvement Fund</b>	<b>Other Enterprise Funds</b>	
<b>Assets</b>								
Equity in Pooled Cash and Cash Equivalents	\$306,564	\$226,231	\$200,925	\$40,402	(\$0)	\$174,513	\$54,597	\$1,003,232
<i>Total Assets</i>	<u>306,564</u>	<u>226,231</u>	<u>200,925</u>	<u>40,402</u>	<u>0</u>	<u>174,513</u>	<u>54,597</u>	<u>1,003,232</u>
<b>Net Position</b>								
Restricted for:								
Capital Projects						174,513		174,513
Debt Service			200,925	40,402				241,327
Unrestricted	306,564	226,231					54,597	587,392
<b>Total Net Position</b>	<u>\$306,564</u>	<u>\$226,231</u>	<u>\$200,925</u>	<u>\$40,402</u>	<u>\$0</u>	<u>\$174,513</u>	<u>\$54,597</u>	<u>\$1,003,232</u>

See accompanying notes to the basic financial statements.

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Cash Receipts,*  
*Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2012*

	Proprietary Fund Type							Total Enterprise Funds
	Water Fund	Sewer Fund	Sewer Debt Service Reserve Fund	Sewer Debt Service Fund	Water Debt Service	Water/Sewer Improvement Fund	Other Enterprise Funds	
<b>Operating Cash Receipts</b>								
Charges for Services	\$913,813	\$765,742					\$192,904	\$1,872,459
Other Operating Receipts	17,718	4,950						22,668
<i>Total Cash Receipts</i>	<u>931,531</u>	<u>770,692</u>					<u>192,904</u>	<u>1,895,127</u>
<b>Operating Cash Disbursements</b>								
Personal Services	69,083	127,975						197,058
Fringe Benefits	20,338	37,509						57,847
Contractual Services	471,998	207,447					173,055	852,500
Materials and Supplies	29,602	55,470						85,072
Capital Outlay	1,500	32,231				\$977,190		1,010,921
<i>Total Cash Disbursements</i>	<u>592,521</u>	<u>460,632</u>				<u>977,190</u>	<u>173,055</u>	<u>2,203,398</u>
<i>Operating Income (Loss)</i>	339,010	310,060				(977,190)	19,849	(308,271)
<b>Non-Operating Cash Receipts/ Disbursements:</b>								
Proceeds from OPWC Loan						438,197		438,197
Proceeds from OPWC Grant						223,501		223,501
Principal Payments		(14,790)		(\$89,000)	(\$210,583)			(314,373)
Interest and Fiscal Charges		(25,318)		(156,285)	(155,171)			(336,774)
Transfers In			\$24,603	246,000	365,754	109,500		745,857
Transfers Out	(365,754)	(270,603)						(636,357)
Advances In						340,856		340,856
<i>Total Non-Operating Cash Receipts/ Disbursements</i>	<u>(365,754)</u>	<u>(310,711)</u>	<u>24,603</u>	<u>715</u>		<u>1,112,054</u>		<u>460,907</u>
<i>Change in Net Position</i>	(26,744)	(651)	24,603	715		134,864	19,849	152,636
<i>Net Position, January 1 (Restated)</i>	<u>333,308</u>	<u>226,882</u>	<u>176,322</u>	<u>39,687</u>		<u>39,649</u>	<u>34,748</u>	<u>850,596</u>
<i>Net Position, December 31</i>	<u>\$306,564</u>	<u>\$226,231</u>	<u>\$200,925</u>	<u>\$40,402</u>	<u>\$0</u>	<u>\$174,513</u>	<u>\$54,597</u>	<u>\$1,003,232</u>

See accompanying notes to the basic financial statements.



**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net 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.

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.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

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 only major governmental funds are the General Fund, Street Fund, Fire & Rescue Improvement Fund, and the Town Hall Improvement 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.

The Town Hall Improvement Fund is used to account for income tax collections and collects interest to pay for improvements to the town hall.

The Fire and Rescue Improvement Fund is used to account for resources whose use is restricted to funding the purchase of capital improvement items for the EMS and Fire Departments.

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.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

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, Sewer Debt Service Reserve Fund, Sewer Debt Service 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.

Sewer Debt Service Reserve Fund- The sewer debt service reserve fund accounts for monies required by USDA Rural Development to be set-aside for debt repayment.

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

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 YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (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 2013 and 2012, 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 at December 31, 2013 and 2012.

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, 2013 and 2012.

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 2013 and 2012 were \$2,088 and \$2,793 respectively, which includes \$480 and \$922 assigned from other Village funds, respectively.

**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.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

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.

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:

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

***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.

***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.

***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.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

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.

**P. Restatement of Fund Balance**

A restatement of the beginning net position for governmental activities and fund balances for the General Fund, Town Hall Improvement Fund and Other Governmental Funds were done for January 1, 2012, to properly classify funds in accordance with GASB 54 as well as accounting for unreconciled net position/fund balance differences. Also a restatement of beginning net position for business type activities, the water/sewer improvement fund, and other enterprise funds due to unreconciled net position/fund balance differences. The effect of the restatement was as follows:

	Governmental Activities	General Fund	Town Hall Improvement Fund	Other Governmental Funds	Business Type Activities	Water/Sewer Improvement Fund	Other Enterprise Funds
December 31, 2011 Net Position/Fund Balance	\$2,326,993	\$1,836,976	\$16,656	\$133,395	\$800,668	\$0	\$24,469
Restatement (Due to GASB 54)		(\$97,826)		\$97,826			
Restatement (Due to Unreconciled Net/Position Fund Balance Differences)	(\$101,321)	(\$55,185)	(\$13,524)	(\$32,612)	\$49,928	\$39,649	\$10,279
Restated January 1, 2012 Net Position/Fund Balance	\$2,225,672	\$1,683,965	\$3,132	\$198,609	\$850,596	\$39,649	\$34,748

**Q. Change in Accounting Principle**

GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of GASB Statement Number 62 did not have an impact on the financial statements of the Village.

For fiscal year 2012, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than nets, as the residual of all other elements presented in a statement of financial position. This was incorporated in the Village's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**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 \$66,778 and \$50,755 for 2013 and 2012, respectively, and encumbrances in the street fund amounted to \$16,912 and \$4,935 for 2013 and 2012, respectively.

**Note 4 – Deposits and Investments**

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

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

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

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

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

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 4 - Deposits and Investments** (continued)

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".

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, 2013 and 2012 \$3,133,083 and \$2,733,520 of the Village's bank balance of \$3,883,083 and \$3,483,520 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, 2013 and 2012, the Village had the following investments:

STAR Ohio	<u>Carrying Value</u>
December 31, 2013	\$14,776
December 31, 2012	<u>\$14,770</u>

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.

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**Note 4 - Deposits and Investments** (continued)

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state 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 Town Hall Improvement Fund or 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 a final return annually. The quarter percent associated with the Town Hall Improvement Fund is set to be taken off at the end of 2012. The voters in the November 2011 election, voted to replace the quarter percent tax associated with the Town Hall Improvement Fund with a quarter percent tax for a fifteen year period, beginning January 1, 2013 for water and sewer capital improvements and the related debt.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2012, were levied after October 1, 2012, 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, 2013, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based was \$77,309,150.

**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.

During 2013, the Village contracted with several companies for various types of insurance as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 7 – Risk Management** (continued)

Blanket Property and Contents, Replacement	\$22,155,842	\$1,000
Inland Marine	1,207,326	500
General Liability	1,000,000	1,000
Automobile Liability	1,000,000	500
Public Officials Liability	1,000,000	2,500
Police Professional Liability	1,000,000	2,500
Employment Practice Liability	1,000,000	1,000
Computer - Hardware	Included in Blanket Property	
Computer - Software	Included in Blanket Property	
Public Employee Dishonesty	50,000	500
Money and Securities	10,000	500
American Alternative Insurance		
Umbrella Excess Liability	3,000,000	10,000

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 United Healthcare.

**Note 8 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

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

**VILLAGE OF BLUFFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 8 – Defined Benefit Pension Plans** (continued)

For the year ended December 31, 2013 and 2012, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2013 and 2012 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, 13 percent and 10 percent, respectively, of covered payroll was allocated to fund the pension obligation. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$68,277, \$71,219, and \$84,294 respectively. The full amount has been contributed for 2013, 2012, and 2011.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. The Village does not employ fire fighters. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – For the period January of January 1, 2012 to July 1, 2013, plan members were required to contribute 10.0 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013 and 2012 employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters, 12.75% and 17.25% respectively for pension obligations. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2013, 2012, and 2011 were \$25,726, \$37,842, and \$53,336. The full amount has been contributed for 2013, 2012, and 2011.

**Note 9 – Post-employment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – 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. OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**VILLAGE OF BLUFFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 9 – Post-employment Benefits- (Continued)**

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2013 was 1.00% and 4.00% for 2012. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan. The Village's required contribution for postemployment obligations for the years ended December 31, 2013, 2012, and 2011 were \$5,252, \$28,487, and \$25,469.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F 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.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 9 – Post-employment Benefits- (Continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The portion allocated for 2012 was 6.75%. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 required contribution for postemployment obligations for the years ended December 31, 2013, 2012, and 2011 were \$19,800, \$48,073, and \$14,999.

**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, 2013, are as follows:

	Rate	1/1/2012	Additions	Reductions	12/31/2013	One Year
Governmental-Type Activities						
First National Loan-						
Town Hall Improvement	3.50%	162,925		(162,925)	-	
Citizens National- Loan						
Skid Loader	0.00%	-	61,058		61,058	15,265
Total Governmental-Type						
Activities		\$ 162,925	\$ 61,058	\$ (162,925)	\$ 61,058	\$ 15,265

The First National Bank loan is for the reconstruction and improvements to the Bluffton Village Town Hall. Repayment of the debt is provided by an additional .25% Village income tax approved by the voters. The Citizens National Bank loan is for the purchase of a skid loader. Repayment of the debt is provided for by general fund monies.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 10 – Debt** (continued)

Business-Type Activities		Balance			Balance	
	Interest	January 1,			December 31,	Due Within
	Rate	2012	Additions	Reductions	2013	One Year
OWDA Loan- Water System Improvements	5.77%	\$ 1,380,403		\$ (123,453)	\$ 1,256,950	\$ 67,197
OWDA Loan- Wastewater Treatment	4.64%	\$ 549,301		\$ (30,275)	\$ 519,026	\$ 16,211
OWDA Loan- Waterline from Ottawa	2.75%	\$ 3,800,176		\$ (260,887)	\$ 3,539,289	\$ 193,541
Issue II Loan	0.00%	\$ 81,763		\$ (16,352)	\$ 65,411	\$ 8,176
OPWC Loan- Mainstreet Waterline Replacement	0.00%	\$ 324,985		\$ (40,624)	\$ 284,361	\$ 20,312
OPWC Loan- South Main Waterline Replacement	0.00%	\$ -	\$ 106,017	\$ (5,300)	\$ 100,717	\$ 5,301
OPWC Loan- Cherry & Mound Waterline Replacement	0.00%	\$ -	\$ 258,126	\$ (4,302)	\$ 253,824	\$ 8,604
OPWC Loan- Lawn, Jackson, Grove Waterline Replacement	0.00%	\$ -	\$ 294,918	\$ (4,915)	\$ 290,003	\$ 9,831
First National Loan- Jackson, Elm Waterline Replacement	3.50%	\$ 342,229		\$ (30,727)	\$ 311,502	\$ 16,352
USDA Rural Development Mortgage Revenue Bonds	4.50%	\$ 3,473,000		\$ (182,000)	\$ 3,291,000	\$ 97,000
<b>Total Business Type Activities</b>		<b>\$ 9,951,857</b>	<b>\$ 659,061</b>	<b>\$ (698,835)</b>	<b>\$ 9,912,083</b>	<b>\$ 442,525</b>

The Ohio Water Development Authority (OWDA) Water System Improvements loan relates to the construction of two water towers. The loan will be repaid in semiannual installments \$69,384 and \$144,775 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) WWTP loan relates to the construction of a new wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$20,054, including interest, over 30 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority Loan – Waterline was entered into in 2009 and pertains to the construction of a waterline. The loan is to be repaid in semi-annual principal and interest payments for 20 years.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 10 – Debt** (continued)

The Issue II loan was granted by the Ohio Public Waterworks Commission to finance sanitary sewer improvements. It will be repaid in semiannual installments of \$4,088. No interest is being charged on this loan.

The Ohio Public Works Commission (OPWC) loans relate to construction of new waterlines. These are interest free loans.

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 USDA Rural Development Permanent Mortgage Revenue Bonds were obtained for the purpose of paying for the costs of constructing a new wastewater treatment plant. The loan will be repaid over 30 years. Annual payments are due October 1 of each year.

The Village entered into a line of credit for \$500,000 for a period of five years with First National Bank of Pandora for the construction of waterline projects in the event of an emergency. No money was drawn down during 2013 and 2012.

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

Year Ending December	OPWC Main St Waterline			OWDA Loan Water System			Issue II Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$20,312	\$0	\$20,312	\$67,197	\$71,571	\$138,768	\$8,176	\$0	\$8,176
2015	20,312	-	20,312	71,130	67,638	138,768	8,176	-	8,176
2016	20,312	-	20,312	75,294	63,474	138,768	8,176	-	8,176
2017	20,312	-	20,312	79,701	59,067	138,768	8,176	-	8,176
2018	20,312	-	20,312	84,366	54,402	138,768	8,176	-	8,176
2019-2023	101,560	-	101,560	501,943	191,896	693,839	24,531	-	24,531
2024-2028	81,241	-	81,241	377,319	38,984	416,303	-	-	-
2029-2033		-	-			-	-	-	-
2034-2038		-	-			-	-	-	-
2039-2043		-	-			-	-	-	-
<b>Total</b>	<b>\$284,361</b>	<b>\$0</b>	<b>\$284,361</b>	<b>\$1,256,950</b>	<b>\$547,032</b>	<b>\$1,803,982</b>	<b>\$65,411</b>	<b>\$0</b>	<b>\$65,411</b>



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 10 – Debt** (continued)

Year Ending December	OWDA Loan Wastewater System			First National Loan Jackson Waterline			USDA Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$16,211	\$23,897	\$40,108	\$16,352	\$8,336	\$24,688	\$97,000	\$148,095	\$245,095
2015	16,973	23,135	40,108	16,800	7,889	24,689	102,000	143,730	245,730
2016	17,768	22,340	40,108	17,260	7,428	24,688	106,000	139,140	245,140
2017	18,603	21,505	40,108	17,732	6,956	24,688	111,000	134,370	245,370
2018	19,476	20,632	40,108	18,218	6,470	24,688	116,000	129,375	245,375
2019-2023	111,984	88,559	200,543	98,852	24,589	123,441	665,000	563,625	1,228,625
2024-2028	140,851	59,692	200,543	113,150	10,291	123,441	827,000	400,005	1,227,005
2029-2033	177,160	23,383	200,543	13,138	166	13,304	1,032,000	196,245	1,228,245
2034-2038							235,000	10,575	245,575
2039-2043									
<b>Total</b>	<b>\$519,026</b>	<b>\$283,143</b>	<b>\$802,169</b>	<b>\$311,502</b>	<b>\$72,125</b>	<b>\$383,627</b>	<b>\$3,291,000</b>	<b>\$1,865,160</b>	<b>\$5,156,160</b>

Year Ending December	OWDA Loan Ottawa Waterline			OPWC Loan South Main Waterline			OPWC Loan Cherry & Mound Waterline		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$193,541	\$96,009	\$289,550	\$5,301	\$0	\$5,301	\$8,604	\$0	\$8,604
2015	198,900	90,650	289,550	5,301		5,301	8,604		8,604
2016	204,407	85,143	289,550	5,301		5,301	8,604		8,604
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
2019-2023	1,172,463	275,287	1,447,750	26,505		26,505	43,020		43,020
2024-2028	1,344,026	103,724	1,447,751	26,505		26,505	43,020		43,020
2029-2033				21,202		21,202	43,020		43,020
2034-2038							43,020		43,020
2039-2043							38,724		38,724
<b>Total</b>	<b>\$3,539,289</b>	<b>\$803,962</b>	<b>\$4,343,251</b>	<b>\$100,717</b>	<b>\$0</b>	<b>\$100,717</b>	<b>\$253,824</b>	<b>\$0</b>	<b>\$253,824</b>

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**Note 10 – Debt** (continued)

Year Ending December	OPWC Loan Lawn, Jackson, Grove Waterline		
	Principal	Interest	Total
2014	\$9,831	\$0	\$9,831
2015	9,831		9,831
2016	9,831		9,831
2017	9,831		9,831
2018	9,831		9,831
2019-2023	49,155		49,155
2024-2028	49,155		49,155
2029-2033	49,155		49,155
2034-2038	49,155		49,155
2039-2043	44,238		44,238
<b>Total</b>	<b>\$290,013</b>	<b>\$0</b>	<b>\$290,013</b>

Year Ending December	Skid Loader		
	Principal	Interest	Total
2014	\$15,265	\$0	\$15,265
2015	15,265	0	15,265
2016	15,264	0	15,264
2017	15,264	0	15,264
<b>Total</b>	<b>\$61,058</b>	<b>\$0</b>	<b>\$61,058</b>

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 11 – Interfund Transactions**

Fund	2013		2012	
	Transfer In	Transfer Out	Transfer In	Transfer Out
General	\$26,000	(\$731,000)		(\$457,500)
Street	416,517		\$225,000	
Fire & Rescue	90,000		90,000	
Other Governmental	130,000	(16,517)	33,000	
Water	85,000	(461,472)		(365,754)
Sewer		(270,603)		(270,603)
Sewer Debt Service Reserve	24,603		24,603	
Sewer Debt Service	246,000		246,000	
Water Debt Service	461,472		365,754	
Water/ Sewer Improvement			109,500	
Total	<u>\$1,479,592</u>	<u>(1,479,592)</u>	<u>\$1,093,857</u>	<u>(1,093,857)</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and to allocate charges for services revenue in proprietary funds to pay debt obligations. The general fund transfers to the other governmental funds were made to provide additional resources for current operations and capital improvements.

Advances in the amounts of \$103,000 and \$340,856 were made during 2013 and 2012, respectively from the General fund to the Water/Sewer Improvement fund to cover the expenses associated with the current waterline projects.

**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.

The Village is in the process of updating the engineering and plans to bid in 2015 for an Environmental Protection Agency (EPA) mandate to separate all combined sewers. The estimated cost is \$2,500,000. No debt has been issued but the Village will be financing the project. The original engineering was done in 2008 – 2009.

**Note 13 – Fund Balances**

Fund balance is classified as non-spendable, 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 YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 13 – Fund Balances (Continued)**

<b>Fund Balances</b>	<b>2013</b>	<b>General Fund</b>	<b>Town Hall Improvement</b>	<b>Street</b>	<b>Fire &amp; Rescue Improvement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Non-spendable</b>							
Unclaimed Funds		\$225					\$225
<i>Total Non-spendable</i>		<u>225</u>					<u>225</u>
<b>Restricted for</b>							
Town Hall Improvements			\$330,857				330,857
Fire & Rescue Improvements					\$412,733		412,733
Street Construction & Maintenance				\$100,213			100,213
State Highway						\$43,914	43,914
Cemetery						16,617	16,617
Benroth Memorial Bridge						535	535
Mayor's Court Computer						4,903	4,903
DUI Enforcement						136	136
Swimming Pool Debt Service						863	863
Special Assessments						1,866	1,866
Cemetery Trusts						1,851	1,851
Airport Improvement						55,955	55,955
Storm Sewer Improvement						4,536	4,536
Infrastructure Improvement						16,014	16,014
<i>Total Restricted</i>			<u>330,857</u>	<u>100,213</u>	<u>412,733</u>	<u>147,190</u>	<u>990,993</u>
<b>Assigned to</b>							
Communications		5,881					5,881
Community Events		4,012					4,012
Park		9,829					9,829
Utility Recovery		16,460					16,460
Unpaid Obligations		62,281					62,281
Projected Budgeted Shortage		245,429					245,429
<i>Total Assigned</i>		<u>343,892</u>					<u>343,892</u>
Unassigned (deficits):		1,738,583					1,738,583
<i>Total Fund Balances</i>		<u>\$2,082,700</u>	<u>\$330,857</u>	<u>\$100,213</u>	<u>\$412,733</u>	<u>\$147,190</u>	<u>\$3,073,693</u>

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**Note 13 – Fund Balances (Continued)**

<b>Fund Balances</b>	<b>2012</b>	<b>General Fund</b>	<b>Town Hall Improvement</b>	<b>Street</b>	<b>Fire &amp; Rescue Improvement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Non-spendable</b>							
Unclaimed Funds		\$225					\$225
<i>Total Non-spendable</i>		<u>225</u>					<u>225</u>
<b>Restricted for</b>							
Town Hall Improvements			\$213,039				213,039
Fire & Rescue Improvements					\$363,686		363,686
Street Construction & Maintenance				\$40,415			40,415
State Highway						\$33,382	33,382
Cemetery						17,110	17,110
Benroth Memorial Bridge						535	535
Mayor's Court Computer						4,039	4,039
DUI Enforcement						494	494
Swimming Pool Debt Service						863	863
Special Assessments						1,866	1,866
Cemetery Trusts						1,851	1,851
Airport Improvement						580	580
Storm Sewer Improvement						11,622	11,622
Infrastructure Improvement						59,715	59,715
<i>Total Restricted</i>		<u>0</u>	<u>213,039</u>	<u>40,415</u>	<u>363,686</u>	<u>132,057</u>	<u>749,197</u>
<b>Assigned to</b>							
Communications		1,192					1,192
Community Events		5,881					5,881
Park		12,089					12,089
Utility Recovery		16,461					16,461
Unpaid Obligations		44,156					44,156
Projected Budgeted Shortage		201,728					201,728
<i>Total Assigned</i>		<u>281,507</u>					<u>281,507</u>
Unassigned (deficits):		<u>1,445,163</u>					<u>1,445,163</u>
<i>Total Fund Balances</i>		<u>\$1,726,895</u>	<u>\$213,039</u>	<u>\$40,415</u>	<u>\$363,686</u>	<u>\$132,057</u>	<u>\$2,476,092</u>

**Note 14 – Subsequent Events**

In November 2014, the Village approved two contracts for street projects, one in the amount of \$199,482.5 which will be 50% funded by a grant, and one in the amount of \$159,104 of which 50% will be funded by a zero percent loan.

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# Dave Yost • Auditor of State

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

Village of Bluffton  
Allen and Hancock County  
P.O. Box 63  
Bluffton, Ohio 45817

To the Members of 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 Hardin Counties, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 10, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. Additionally, as described in Note 2P, the Village restated the beginning Net Position and various fund balances as of January 1, 2012.

### ***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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 10, 2014



**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Accuracy of Financial Reporting**

The Village should have procedures and controls in place to prevent and detect errors in the financial statements and accounting records to help assure that the information provided to the users is complete and accurate.

The following errors were identified in December 31, 2013 financial statements:

- Year-end encumbrances of \$62,281 in the General fund were not properly classified on the balance sheet as assigned fund balance.
- Subsequent year General Fund appropriations in excess of estimated receipts, in the amount of \$245,429, were reclassified to assigned fund balance.
- On-behalf expenditures, in the amount of \$220,864, from the Ohio Public Works Commission were not recorded in the Water/Sewer Improvement fund.
- Budgetary statements for the General and Street funds understated actual expenditures by \$66,624 and \$16,911 respectively, as the result of not including current year encumbrances.

The following errors were identified in December 31, 2012 financial statements:

- The Statement of Net Position for governmental funds did not agree to the cash position report or the cash reconciliation by \$101,321 and the Statement of Net Position for Business type funds did not agree to the cash position report or the cash reconciliation by \$49,928 as a result of an error carried forward from prior years.
- General Fund encumbrances, in the amount of \$7,697, were not properly classified on the balance sheet as assigned fund balance.
- Subsequent year General Fund appropriations in excess of estimated receipts, in the amount of \$201,728, were reclassified to assigned fund balance.
- Street Fund intergovernmental receipts, in the amount of \$140,205, on the Statement of Activities and the Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances were incorrectly classified as property taxes and fines and fees.
- Other Governmental Funds intergovernmental receipts, in the amount of \$12,413, on the Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances were incorrectly classified as property tax receipts and fines and fees.
- Due to the incorrect implementation of GASB 54, four capital projects funds were presented as major funds instead of Other Governmental Funds. This resulted in a restatement of beginning fund balance in the amount of \$97,826 and a reclassification of current year activity in the amount of \$79,688.
- Actual expenditures on the General Fund and Street Fund budgetary statements were understated by \$50,601 and \$4,035 respectively due to current year encumbrances not having been included.

**FINDING NUMBER 2013-001**  
**(Continued)**

In addition, the notes to the annual financial statements required modification to correct the accounting policies, the restatement note, the deposit, pension, and debt disclosures and for proper presentation of GASB 63. Modification was also necessary for Management's Discussion and Analysis. The accompanying financial statements, notes, and Management's Discussion and Analysis have been adjusted to correct these errors.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and Council to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors or omissions impact the users understanding of the financial statements and the Village.

The errors identified above should be reviewed by the Fiscal Officer to provide that similar errors are not recorded in the accounting records and financial statements in subsequent years. Also, the Fiscal Officer should review the annual notes to the financial statements for accuracy and completeness. Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Fiscal Officer should provide Council with monthly financial reports that at a minimum include budget versus actual receipts and disbursements, fund balances, and the bank to book reconciliations. Evidence of the review and approval of the financial reports should be noted in the minutes. Also, the Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State Website at <https://ohioauditor.gov/> , for guidance in recording of financial activity.

**OFFICIALS' RESPONSE:**

The financial statements presented for 2013 and 2012 were prepared in a manner consistent with prior audited financial statements. When presented with changes identified by the current auditors, the financial statements were modified to reflect the requested changes. The financial statements presented in this audit report reflect these changes. Monitoring of accounting standards will be performed to ensure compliance.

**FINDING NUMBER 2013-002**

**Material Weakness**

**Bank to Book Reconciliations**

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 2013 or 2012. The December 2013 book balance was \$16,852 and the December 2012 book balance \$6,105 greater than the bank balance. Both year-end variances were net of a \$15,000 transfer error from 2009 between the General and Refuse funds or the variances were have been larger.

**FINDING NUMBER 2013-002  
(Continued)**

The variances in the bank to book reconciliations were not resolved through the September 2014 reconciliation. The January through September 2014 variances between the bank and book balances ranged from the book balance being as much as \$12,973 higher to the bank balance being as much as \$119,593 higher. Other than outstanding checks, the most significant reconciling item throughout the year was utility deposits in the bank but not on the books. These unrecorded deposits ranged from \$7,677 to \$315,411.

Unexplained bank to book reconciliation errors reduce accountability and increase the risk that irregularities will not be detected timely. Significant unrecorded deposits add an unnecessary reconciling item that further increases risk of errors and/or irregularities. Additionally, when the book balance is greater than the bank balance there is the impression that money collected has not been properly accounted for by the Village.

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. Utility deposit receipts should be provided to the Fiscal Officer in a timely manner for recording in the general ledger to eliminate/reduce this reconciling item. 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.

**OFFICIALS' RESPONSE:**

The cash reconciliation has been an ongoing issue, which steps have been taken to address. The Village is in the process of working with the software vendor to see if additional reports can be produced to aid in this process.

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# 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  
DECEMBER 30, 2014**