

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND 2002



**Auditor of State
Betty Montgomery**

Members of Council
Village of Bluffton

We have reviewed the Independent Auditor's Report of the Village of Bluffton, Allen County, prepared by E.S. Evans and Company for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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BETTY MONTGOMERY
Auditor of State

August 31, 2004

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VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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

May 21, 2004

INDEPENDENT AUDITOR'S REPORT

Village of Bluffton
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying combined financial statements of the Village of Bluffton, as of and for the years ended December 31, 2003 and 2002. These combined financial statements are the responsibility of the Village of Bluffton's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

As discussed in Note 1, the Village of Bluffton prepares its combined financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Village of Bluffton, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 21, 2004 on our consideration of the Village of Bluffton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Village of Bluffton
Auditor of State of Ohio
May 21, 2004
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Our audit was made for the purpose of forming an opinion on the combined financial statements of the Village of Bluffton, Allen County, Ohio taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects, in relation to the combined financial statements taken as a whole.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH, INVESTMENTS,
AND FUND CASH BALANCES - ALL FUND TYPES

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>POOLED CASH AND INVESTMENTS</u>		
Cash/Deposits	\$ 1,897,208	\$ 1,095,020
Investments	<u>1,239,825</u>	<u>1,225,665</u>
Total	<u>\$ 3,137,033</u>	<u>\$ 2,320,685</u>

POOLED CASH AND INVESTMENT BALANCES BY FUND TYPE

Governmental Funds:

General Fund	\$ 1,751,825	\$ 1,228,310
Special Revenue Funds	66,578	206,144
Debt Service Funds	4,068	4,081
Capital Projects Funds	721,728	621,297

Proprietary Funds:

Enterprise Funds	590,793	258,790
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Fiduciary Funds:

Expendable Trust Funds	278	278
Non-Expendable Trust Funds	<u>1,763</u>	<u>1,785</u>

Total	<u>\$ 3,137,033</u>	<u>\$ 2,320,685</u>
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The accompanying notes are an integral part
of these financial statements.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Revenue Receipts:</u>			
Local Taxes	\$ 1,784,995	\$ -	\$ -
Intergovernmental Revenues	650,978	148,481	-
Special Assessments	-	-	5,323
Charges for Services	157,231	15,130	-
Fines, Licenses, and Permits	17,276	450	-
Interest Revenues	26,366	2,921	-
Miscellaneous	44,967	2,127	-
Total Revenue Receipts	2,681,813	169,109	5,323
<u>Expenditure Disbursements:</u>			
Current -			
Security of Persons and Property	599,959	999	-
Public Health and Welfare	32,077	24,712	-
Leisure Time Activities	96,855	39,368	-
Community Environment	1,558	-	-
Basic Utility Services	9,220	-	-
Transportation	19,270	151,716	-
General Government	358,184	-	107
Capital Outlay	507,175	319,249	-
Debt Service	-	29,631	5,229
Total Expenditure Disbursements	1,624,298	565,675	5,336
Total Revenue Receipts Over/(Under)			
Expenditure Disbursements	1,057,515	(396,566)	(13)
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	-	-	-
Receipt of Loan	-	-	-
Transfers-In	-	257,000	-
Transfers-Out	(534,000)	-	-
Total Other Financing Sources (Uses)	(534,000)	257,000	-
Excess of Receipts and Other Financing			
Sources Over/(Under) Expenditures	523,515	(139,566)	(13)
<u>Fund Cash Balance - January 1, 2003</u>	1,228,310	206,144	4,081
<u>Fund Cash Balance - December 31, 2003</u>	\$ 1,751,825	\$ 66,578	\$ 4,068

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

Governmental Fund Type	Fiduciary Fund	Totals
Capital Project	Expendable Trust	(Memorandum Only)
\$ -	\$ -	\$ 1,784,995
-	-	799,459
-	-	5,323
-	-	172,361
-	-	17,726
8,015	-	37,302
-	-	47,094
8,015	-	2,864,260
-	-	600,958
-	-	56,789
-	-	136,223
-	-	1,558
-	-	9,220
-	-	170,986
-	-	358,291
134,584	-	961,008
-	-	34,860
134,584	-	2,329,893
(126,569)	-	534,367
-	-	-
-	-	-
227,000	-	484,000
-	-	(534,000)
227,000	-	(50,000)
100,431	-	484,367
621,297	278	2,060,110
\$ 721,728	\$ 278	\$ 2,544,477

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Revenue Receipts:</u>			
Local Taxes	\$ 1,499,192	\$ -	\$ -
Intergovernmental Revenues	281,953	159,142	-
Special Assessments	-	-	7,831
Charges for Services	174,136	22,811	-
Fines, Licenses, and Permits	14,328	667	-
Interest Revenues	48,886	6,104	-
Miscellaneous	53,042	2,307	-
Total Revenue Receipts	2,071,537	191,031	7,831
<u>Expenditure Disbursements:</u>			
Current -			
Security of Persons and Property	523,933	108	-
Public Health and Welfare	32,896	27,354	-
Leisure Time Activities	112,308	39,209	-
Community Environment	1,558	-	-
Basic Utility Services	18,106	-	-
Transportation	18,689	108,969	-
General Government	344,499	-	162
Capital Outlay	868,393	265,490	-
Debt Service	-	30,957	119,526
Total Expenditure Disbursements	1,920,382	472,087	119,688
Total Revenue Receipts Over/(Under)			
Expenditure Disbursements	151,155	(281,056)	(111,857)
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	-	-	-
Receipt of Loan	-	-	-
Transfers-In	-	262,000	111,300
Transfers-Out	(712,000)	-	-
Total Other Financing Sources (Uses)	(712,000)	262,000	111,300
Excess of Receipts and Other Financing			
Sources Over/(Under) Expenditures	(560,845)	(19,056)	(557)
<u>Fund Cash Balance - January 1, 2002</u>	1,789,155	225,200	4,638
<u>Fund Cash Balance - December 31, 2002</u>	\$ 1,228,310	\$ 206,144	\$ 4,081

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

Governmental Fund Type	Fiduciary Fund	Totals
Capital Project	Expendable Trust	(Memorandum Only)
\$ -	\$ -	\$ 1,499,192
178,365	-	619,460
-	-	7,831
-	-	196,947
-	-	14,995
10,150	-	65,140
-	-	55,349
<u>188,515</u>	<u>-</u>	<u>2,458,914</u>
-	-	524,041
-	-	60,250
-	-	151,517
-	-	1,558
-	-	18,106
-	-	127,658
-	-	344,661
301,765	-	1,435,648
-	-	150,483
<u>301,765</u>	<u>-</u>	<u>2,813,922</u>
(113,250)	-	(355,008)
-	-	-
-	-	-
290,000	-	663,300
(228,958)	-	(940,958)
<u>61,042</u>	<u>-</u>	<u>(277,658)</u>
(52,208)	-	(632,666)
<u>673,505</u>	<u>278</u>	<u>2,692,776</u>
<u>\$ 621,297</u>	<u>\$ 278</u>	<u>\$ 2,060,110</u>

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2003

	Proprietary Fund	Fiduciary Fund	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Operating Receipts:</u>			
Charges for Services	\$ 1,328,347	\$ -	\$ 1,328,347
<u>Operating Disbursements:</u>			
Personnel Services	335,281	-	335,281
Contractual Services	279,382	-	279,382
Material and Supplies	103,932	45	103,977
Capital Outlay	4,475,681	-	4,475,681
Total Operating Disbursements	5,194,276	45	5,194,321
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	(3,865,929)	(45)	(3,865,974)
<u>Non-Operating Receipts/(Disbursements):</u>			
Local Taxes	60,520	-	60,520
Proceeds from Sale of Public Debt	4,374,996	-	4,374,996
Interest	110	23	133
Miscellaneous	4,997	-	4,997
Sale of Fixed Assets	80	-	80
Debt Service	(292,771)	-	(292,771)
Total Non-Operating Receipts/(Disbursements)	4,147,932	23	4,147,955
Excess of Net Cash Receipts Over/(Under) Disbursements Before Transfers and Advances	282,003	(22)	281,981
Transfers-In	50,000	-	50,000
Fund Cash Balance - January 1, 2003	258,790	1,785	260,575
Fund Cash Balance - December 31, 2003	\$ 590,793	\$ 1,763	\$ 592,556

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2002

	Proprietary Fund	Fiduciary Fund	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Operating Receipts:</u>			
Charges for Services	\$ 1,192,220	\$ -	\$ 1,192,220
<u>Operating Disbursements:</u>			
Personnel Services	319,464	-	319,464
Contractual Services	274,947	-	274,947
Material and Supplies	108,748	108	108,856
Capital Outlay	690,161	-	690,161
Total Operating Disbursements	1,393,320	108	1,393,428
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	(201,100)	(108)	(201,208)
<u>Non-Operating Receipts/(Disbursements):</u>			
Local Taxes	46,963	-	46,963
Proceeds from Sale of Public Debt	17,472	-	17,472
Interest	786	51	837
Miscellaneous	3,784	-	3,784
Debt Service	(261,129)	-	(261,129)
Total Non-Operating Receipts/(Disbursements)	(192,124)	51	(192,073)
Excess of Net Cash Receipts Over/(Under) Disbursements Before Transfers and Advances	(393,224)	(57)	(393,281)
Transfers-In	277,658	-	277,658
<u>Fund Cash Balance - January 1, 2002</u>	374,356	1,842	376,198
<u>Fund Cash Balance - December 31, 2002</u>	\$ 258,790	\$ 1,785	\$ 260,575

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies

Description of the Entity

The Village of Bluffton, Allen County, (the Village) is a political and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general government services, including: public safety, street maintenance, park operations (leisure time activities), water and sewer facilities, and general administrative services.

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

Basis of Accounting

The Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations. The Village uses the following major fund types:

Governmental Funds

General Fund

The General Fund accounts for all the revenues and expenditures of the Village that is not required to be accounted for in other funds.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects and trusts), the expenditures for which are legally restricted for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Park and Recreation Fund - This fund receives grants and donations to fund operations of the park.

Cemetery Fund - This fund receives payments for burials, sale of lots, and foundations for the cemetery controlled by the Village.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Construction Capital Improvement Fund - This fund accounts for various grants and collects interest to pay for needed improvements.

Water Tower Improvement Fund - This fund accounts for various grants and collects interest to pay for improvements to the waterworks facilities.

Town Hall and Swimming Pool Improvement Fund - This fund accounts for various grants and donations to pay for improvements to the swimming pool and town hall.

Fire and Rescue Improvement Fund - This fund is used to pay for improvements for fire and rescue operations.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Swimming Pool Debt Service Fund - This fund is responsible for paying the general obligation bond for the construction and equipping of a new municipal swimming facility.

Proprietary Funds

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover cost of providing this utility.

Refuse Fund – This fund receives charges for services from residents to cover the cost of providing this service.

Water Debt Service Fund - This fund receives a portion of receipts for utilities to repay the water general obligation notes.

Fiduciary Funds

Trust Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies - (continued)

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 2 – Equity In Pooled Cash and Investments

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, was as follows:

	<u>2003</u>	<u>2002</u>
Petty Cash	\$ 3,450	\$ 3,450
Demand Deposits	1,893,758	1,091,570
Investments:		
STAR Ohio	<u>1,239,825</u>	<u>1,225,665</u>
Total Deposits and Investments	<u>\$ 3,137,033</u>	<u>\$ 2,320,685</u>

Deposits - Deposits are insured by the Federal Depositary Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institutions public entity deposit pool.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form. Special assessment bonds are Village owned.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,516,954	\$ 2,681,813	\$ (835,141)
Special Revenue	586,722	426,109	(160,613)
Debt Service	9,910	5,323	(4,587)
Capital Projects	778,324	235,015	(543,309)
Enterprise	6,018,003	5,819,050	(198,953)
Fiduciary	2,150	23	(2,127)
Total	\$ <u>10,912,063</u>	\$ <u>9,167,333</u>	\$ <u>(1,744,730)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,166,125	\$ 2,158,298	\$ 7,827
Special Revenue	581,516	565,675	15,841
Debt Service	5,349	5,336	13
Capital Projects	560,736	134,584	426,152
Enterprise	6,315,387	5,487,047	828,340
Fiduciary	140	45	95
Total	\$ <u>9,629,253</u>	\$ <u>8,350,985</u>	\$ <u>1,278,268</u>

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 3 – Budgetary Activity – (continued)

2002 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,394,546	\$ 2,071,537	\$ (1,323,009)
Special Revenue	666,247	453,031	(213,216)
Debt Service	123,168	119,131	(4,037)
Capital Projects	1,099,754	478,515	(621,239)
Enterprise	6,688,676	1,488,883	(5,199,793)
Fiduciary	2,208	51	(2,157)
Total	<u>\$ 11,974,599</u>	<u>\$ 4,611,148</u>	<u>\$ (7,363,451)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,639,132	\$ 2,632,382	\$ 6,750
Special Revenue	527,689	472,087	55,602
Debt Service	119,825	119,688	137
Capital Projects	734,792	530,723	204,069
Enterprise	6,532,008	1,654,449	4,877,559
Fiduciary	-	108	(108)
Total	<u>\$ 10,553,446</u>	<u>\$ 5,409,437</u>	<u>\$ 5,144,009</u>

The Village was not fully in compliance with Ohio Revised Code Section 5705.41(B) for 2002 and 2003.

Note 4 – Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Revenues. Payments are due to the County by December 31st. If the property owner elects to make semi-annual payments, the second half payment is due the following June 20th.

Public utilities are also taxed on personal and real property located within the Village.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 4 – Property Tax - (continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by April 30th of each year.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 5 – Income Tax

The Village has a locally levied municipal income tax of 1% for both 2002 and 2003. It is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of Bluffton and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to net income of business organizations operating within Bluffton. The tax receipts are credited to the General Fund and amounted to \$1,580,287 in 2003 and \$1,314,430 in 2002.

Note 6 – Debt

Debt Outstanding at December 31, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturity Date</u>
General Obligation Bonds - Street	\$ 60,000	5% - 5.8%	12/1/05
General Obligation Bonds - Sewer	110,000	4% - 4.6%	12/1/04
OWDA Loan - Water System Improvements	1,736,231	5.77%	7/1/26
Issue II Loan	143,083	0%	7/1/21
OWDA Loan - Wastewater Treatment	315,677	4.64%	7/1/33
OWDA/USDA Loan - Wastewater Treatment	4,068,950	2.56%	1/1/05
Total	\$ <u>6,433,941</u>		

The General Obligation Bonds – Street were issued in 1995 for street improvements.

The General Obligation Bonds – Sewer were issued in 1999 to advance refund Sanitary Sewer Mortgage Revenue Bonds from 1989.

The OWDA Loan - Water System Improvements was used for water system improvements.

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

The OWDA Loan – Wastewater Treatment Loan was used to help finance the new Wastewater Treatment Plant.

The OWDA/USDA Loan was used to help finance the new Wastewater Treatment Plant. It is a loan through OWDA with a balloon payment due 1-1-2005. At this time, the USDA will finance the loan over a 30 year period.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 6 – Debt – (continued)

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

Year Ending December 31:	Gen Oblig Bonds Street	Gen Oblig Bonds Sewer	OWDA Loan
2004	\$ 33,270	\$ 115,060	\$ 138,768
2005	31,650	-	138,768
2006		-	138,768
2007		-	138,768
2008	-	-	138,768
Subsequent	-	-	2,428,425
Total	\$ <u>64,920</u>	\$ <u>115,060</u>	\$ <u>3,122,265</u>

Year Ending December 31:	Issue II Loan	OWDA Loan	OWDA/USDA Loan
2004	\$ 8,176	\$ 62,084	\$ -
2005	8,176	62,084	4,068,950
2006	8,176	62,084	-
2007	8,176	62,084	-
2008	8,176	62,084	-
Subsequent	102,203	1,082,895	-
Total	\$ <u>143,083</u>	\$ <u>1,393,315</u>	\$ <u>4,068,950</u>

Year Ending December 31:	TOTAL
2004	\$ 357,358
2005	4,309,628
2006	209,028
2007	209,028
2008	209,028
Subsequent	3,613,523
Total	\$ <u>8,907,593</u>

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 7 – Capital Lease Payable

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

Future payments of this lease are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2004	\$ 46,478	\$	10,212	\$	56,690
2005	48,844		7,846		56,690
2006	51,330		5,359		56,689
2007	53,944		2,746		56,690
Total	\$ 200,596	\$	26,163	\$	226,759

Note 8 – Retirement Systems

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of PFDPF contributed 10 percent of their wages to the PFDPF. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2003 and 2002, PERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

Note 9 – Risk Management

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

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

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS

For the Year Ended December 31, 2003

<u>Federal Grantor/ Pass-Through Grantor/ Program Titles</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture</u> (Passed-Through Ohio Water Development Authority)			
Water and Waste Disposal Loans and Grants	10.770	\$ <u>4,054,980</u>	\$ <u>4,054,980</u>
Total Federal Financial Assistance		\$ <u>4,054,980</u>	\$ <u>4,054,980</u>

Note A - Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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

May 21, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Bluffton
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the combined financial statements of the Village of Bluffton, Allen County, Ohio as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Bluffton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as item 2003 - 8140 - 001. We also noted certain immaterial instances of noncompliance, which we have reported to management of Village of Bluffton in a separate letter dated May 21, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted an instance involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003 – 8140 – 002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 21, 2004.

This report is intended solely for the information and use of the management, Council of the Village of Bluffton, and Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.



E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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

May 21, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Bluffton
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

Compliance

We have audited the compliance of the Village of Bluffton with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. Village of Bluffton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Bluffton's management. Our responsibility is to express an opinion on the Village of Bluffton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Bluffton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Bluffton's compliance with those requirements.

In our opinion, the Village of Bluffton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Village of Bluffton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Bluffton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Village Council, Auditor of State of Ohio and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED
COSTS OMB CIRCULAR A-133 § .505

December 31, 2003

A. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #10.770 Water and Waste Disposal Loans & Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED
COSTS OMB CIRCULAR A-133 § .505

December 31, 2003 and 2002

B. Findings Related To The Financial Statements Required
To Be Reported In Accordance With GAGAS

Finding Number	2003 -8140 - 001
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Noncompliance

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

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

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

The Clerk/Treasurer did not make the proper certification of funds for 44 percent of the transactions tested during the audit period. We recommend that the Clerk/Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.

VILLAGE OF BLUFFTON
ALLEN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED
COSTS OMB CIRCULAR A-133 § .505

December 31, 2003 and 2002

Finding Number	2003 -8140 - 002
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Prior Certification of Funds

In many instances, the Village of Bluffton's transactions did not include certification of the Clerk/Treasurer prior to the commitment being incurred. This procedure is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of the Village funds being over-expended.

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

C. Findings and Questioned Costs for Federal Awards

None

VILLAGE OF BLUFFTON
 ALLEN COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS AND
 QUESTIONED COSTS OMB CIRCULAR A-133 § .315(b)

December 31, 2003 and 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001 -1	Ohio Revised Code Section 5705.41(D) Certificate of Fiscal Officer	No	Not Corrected – Repeated as current year finding 2003 – 8140 – 001
2001-2	Prior Certification of Funds	No	Not Corrected – Repeated as current year finding 2003 – 8140 - 002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 14, 2004**