

VILLAGE OF BLUFFTON

ALLEN & HANCOCK COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

FISCAL YEARS AUDITED UNDER GAGAS: 2007 & 2006

**Caudill & Associates, CPA's**

725 5<sup>th</sup> Street

Portsmouth, OH 45662





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Bluffton, Allen County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 29, 2008

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 Allen & Hancock County  
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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

Village Council  
Village of Bluffton  
Allen & Hancock County  
P.O. Box 63  
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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 & Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006 which collectively comprise the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Bluffton, Allen & Hancock County, Ohio as of December 31, 2007 and 2006, and the respective changes in financial position-modified cash basis and the respective budgetary comparisons for the General Fund and Street Fund (2006 only), thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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Independent Auditors' Report  
Page 2

The Management's Discussion and Analysis at pages 3-10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
March 28, 2008

Village of Bluffton  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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This management discussion and analysis of the Village of Bluffton's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, and 2006, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2007 and 2006 are as follows:

2007 Net assets of governmental activities increased \$1,976,295 or 65.39%, a significant increase from the prior year. The fund most affected by the increase in cash and cash equivalents was the Town Hall Improvement Fund, which realized the greatest increase due to the issuance of bond anticipation notes.

2006 Net assets of governmental activities increased \$297,180 or 10.53%, a small change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Town Hall Improvement Fund, which realized the greatest increase due to the additional quarter percent income tax levied on residents and wages earned in the Village starting in 2006.

The Village's general receipts are primarily income taxes receipts. These receipts represent respectively 40% of the total cash received for governmental activities during 2007 and 51.33% of the total cash received for governmental activities during 2006. Income tax receipts changed significantly in 2007 and 2006 as compared to 2005 due to the additional quarter percent income tax.

2007 Net assets of business-type activities decreased \$138,659. This 2007 decrease was mainly due to increases in expenditures for sewer and water upgrades and improvements. 2006 Net assets of business-type activities increased \$46,622 due to an increase in overall operating receipts.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

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

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

### **Basis of Accounting**

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

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

### **Reporting the Village as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2007 and 2006, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances 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 modified 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 non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the statement of activities, we divide the Village into two types of activities:

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

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

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

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's only major governmental funds are the General, Street (2006 only), Capital Improvement (2006 only), and Town Hall Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a modified cash basis:

Village of Bluffton  
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	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Cash and Cash Equivalents	\$ 5,094,470	\$ 3,118,174	\$ 635,783	\$ 774,443	\$ 5,730,253	\$ 3,892,617
Investments						
Total Assets	<u>\$ 5,094,470</u>	<u>\$ 3,118,174</u>	<u>\$ 635,783</u>	<u>\$ 774,443</u>	<u>\$ 5,730,253</u>	<u>\$ 3,892,617</u>
<b>Net Assets</b>						
Restricted for:						
Debt Service	\$ 863	\$ 863	\$ 165,402	\$ 123,564	\$ 166,265	\$ 124,427
Capital Projects	2,821,180	1,306,093	74,711	56,834	2,895,891	1,362,927
Other Purposes	627,525	529,730	-	-	627,525	529,730
Permanent Fund Purpose						
Nonexpendable	1,850	1,851	-	-	1,850	1,851
Unrestricted	<u>1,643,052</u>	<u>1,279,637</u>	<u>395,670</u>	<u>594,045</u>	<u>2,038,722</u>	<u>1,873,682</u>
Total Net Assets	<u>\$5,094,470</u>	<u>\$3,118,174</u>	<u>\$635,783</u>	<u>\$774,443</u>	<u>\$5,730,253</u>	<u>\$3,892,617</u>

As mentioned previously, net assets of governmental activities increased \$1,976,295 or 65.39% during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- The voters of the Village passed a levy to raise the municipal income tax rate from one percent to one and a quarter percent, starting in 2006. The additional quarter percent is to be used to fund the renovation of Town Hall.
- The Village issued \$1,500,000 worth of bond anticipation notes to finance the renovation of Town Hall.

Table 2 reflects the changes in net assets in 2007 and 2006.

**Table 2- Changes in Net Assets**

Village of Bluffton  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006	Business Type Activities 2007	Business Type Activities 2006
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$263,902	\$263,760	\$1,329,697	\$1,334,725
Operating Grants and Contributions	392,200	422,534	-	-
Capital Grants and Contributions	262,682	145,169	-	-
Total Program Receipts	<u>\$ 918,784</u>	<u>\$ 831,463</u>	<u>\$ 1,329,697</u>	<u>\$ 1,334,725</u>
General Receipts:				
Property and Other Local Taxes	400,104	374,357	-	-
Income Taxes	2,133,809	1,872,544	-	-
Cable Franchise Fees	6,949	23,944	-	-
Payments in Lieu of Taxes	78,902	78,761	-	-
Notes Issued	1,500,000	-	103,160	373,734
Grants and Entitlements Not Restricted to Specific Programs	-	248,742	-	-
Sale of Capital Assets	507	-	-	-
Interest	274,491	193,460	2,451	2,064
Miscellaneous	63,941	24,951	824	478
Total General Receipts	<u>4,458,703</u>	<u>2,816,759</u>	<u>106,435</u>	<u>376,276</u>
Total Receipts	<u>\$ 5,377,487</u>	<u>\$ 3,648,222</u>	<u>\$ 1,436,132</u>	<u>\$ 1,711,001</u>
Disbursements:				
General Government	493,528	492,825	-	-
Security of Persons and Property:	733,574	683,971	-	-
Public Health Services	75,784	62,912	-	-
Leisure Time Activities	144,587	153,761	-	-
Community Environment	611	1,558	-	-
Basic Utilities	-	8,901	-	-
Transportation	242,114	164,710	-	-
Capital Outlay	1,554,827	1,712,403	-	-
Debt Service	30,668	-	-	-
Water	-	-	434,275	725,469
Sewer	-	-	709,701	521,942
Other Enterprise Funds	-	-	556,316	486,969
Total Disbursements	<u>\$ 3,275,693</u>	<u>\$ 3,281,041</u>	<u>\$ 1,700,292</u>	<u>\$ 1,734,380</u>
Excess (Deficiency) Before Transfers	2,101,794	367,181	(264,160)	(23,379)
Transfers	(125,500)	(70,000)	125,500	70,000
Increase (Decrease) in Net Assets	<u>\$ 1,976,294</u>	<u>\$ 297,181</u>	<u>\$ (138,660)</u>	<u>\$ 46,621</u>

Governmental Activities program receipts represent only 17.09% of total governmental activities receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to Orange and Richland Townships for fire and emergency medical services provided.

Village of Bluffton  
Management's Discussion and Analysis  
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General receipts represent 82.91% of the Village's total receipts, and of this amount, 56.83% are local taxes. The bond anticipation note proceeds make up the next significant portion of the Village's general receipts (33.64%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

If you look at the Statement of Activities on pages 13 through 16, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay and security of persons and property, which account for 47.47% and 22.39% of all governmental disbursements, respectively. General government also represents a significant cost, at 15.07%. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$493,528	\$254,316	\$492,825	\$491,605
Security of Persons and Property	733,574	585,085	683,971	532,675
Public Health Services	75,784	45,780	62,912	41,348
Leisure Time Activities	144,587	53,438	153,761	66,372
Community Environment	611	611	1,558	1,558
Basic Utilities	0	(16,289)	8,901	(5,350)
Transportation	242,114	(151,527)	164,710	(391,035)
Capital Outlay	1,554,827	1,554,827	1,712,403	1,712,403
Debt Service	30,668	30,668	0	0
Total Expenses	<u>\$3,275,693</u>	<u>\$2,356,908</u>	<u>\$3,281,040</u>	<u>\$2,449,576</u>

The dependence upon general receipts is apparent as over 71.95% of governmental activities, in 2007, are supported by these general receipts and over 74.66% in 2006.

**Business-type activities**

The water and sewer operations of the Village are relatively large and routinely reports receipts and cash disbursements that are relatively equal. The water from the Village's wells is very high in total dissolved

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solids and the Village has entered into an agreement with the Village of Ottawa, Ohio to construct a waterline from their municipality to the Village. This project is now in the construction stage.

The sewer operation of the Village has receipts well above the cash disbursements for the year of 2007. 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 Village's Funds**

In 2007, total governmental funds had receipts of \$3,877,487 and disbursements of \$3,275,693. The greatest change within governmental funds occurred within the General Fund and Town Hall Improvement Fund due to the additional quarter percent income tax being levied beginning in 2006.

General Fund receipts were \$1,156,640 over disbursements indicating that the General Fund is not in a deficit spending situation.

In 2006, total governmental funds had receipts of \$3,648,222 and disbursements of \$3,281,040. The greatest change within governmental funds occurred within the General Fund and Capital Improvement Fund due to the additional quarter percent income tax being levied beginning in 2006 and capital outlay disbursements.

General Fund receipts were \$913,758 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 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increased municipal income taxes and higher interest earnings.

Final disbursements for the General Fund were budgeted at \$1,845,114 while actual disbursements were \$1,800,664. The Village kept spending very close to budgeted amounts as demonstrated by the reported variances.



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During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increased municipal income taxes and higher interest earnings.

Final disbursements for the General Fund were budgeted at \$2,339,102 while actual disbursements were \$1,835,206. The Village kept spending very close to budgeted amounts as demonstrated by the reported variances.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

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

#### **Debt**

At December 31, 2007, the Government's outstanding principal debt included \$1,588,910 for an OWDA Loan for the Water System, \$110,379 for an Issue II Loan, \$602,124 for an OWDA Loan for the Wastewater System, \$3,793,000 for a USDA Rural Development Loan, \$396,077 for an OPWC Loan for the Main Street Waterline, \$70,661 OWDA loan for the waterline from Ottwa and \$1,500,000 in bond anticipation notes for the Townhall renovation. For further information regarding the Village's debt, refer to Note 13 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. The Village is in the construction stages of the renovations to the existing Town Hall and for the new waterlines. Both projects began construction in 2007 and are scheduled for completion during 2008.

### **Contacting the Village'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.

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2007*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,094,470	\$635,783	\$5,730,253
<i>Total Assets</i>	<u>\$5,094,470</u>	<u>\$635,783</u>	<u>\$5,730,253</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$2,821,180	\$74,711	\$2,895,891
Debt Service	863	165,402	166,265
Other Purposes	627,525	-	627,525
Permanent Fund Purpose			
Nonexpendable	1,850	-	1,850
Unrestricted	<u>1,643,052</u>	<u>395,670</u>	<u>2,038,722</u>
<i>Total Net Assets</i>	<u>\$5,094,470</u>	<u>\$635,783</u>	<u>\$5,730,253</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2006*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,118,174	\$774,443	\$3,892,617
<i>Total Assets</i>	<u>\$3,118,174</u>	<u>\$774,443</u>	<u>\$3,892,617</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$1,306,093	\$56,834	\$1,362,927
Debt Service	863	123,564	124,427
Other Purposes	529,730	-	529,730
Permanent Fund Purpose			
Nonexpendable	1,851	-	1,851
Unrestricted	<u>1,279,637</u>	<u>594,045</u>	<u>1,873,682</u>
<i>Total Net Assets</i>	<u>\$3,118,174</u>	<u>\$774,443</u>	<u>\$3,892,617</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2007*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$493,528	\$718	\$238,494	\$0
Security of Persons and Property	733,574	148,489	-	-
Public Health Services	75,784	30,004	-	-
Leisure Time Activities	144,587	68,402	1,570	21,177
Community Environment	611	-	-	-
Basic Utility Services	-	16,289	-	-
Transportation	242,114	-	152,136	241,505
Capital Outlay	1,554,827	-	-	-
Debt Service:	-	-	-	-
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	30,668	-	-	-
<i>Total Governmental Activities</i>	<u>3,275,693</u>	<u>263,902</u>	<u>392,200</u>	<u>262,682</u>
<b>Business Type Activity</b>				
Water	434,275	321,364	-	-
Sewer	709,701	848,265	-	-
Other Enterprise Funds	556,316	160,069	-	-
Total Business Type Activities	<u>1,700,292</u>	<u>1,329,697</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>\$4,975,985</u></u>	<u><u>\$1,593,599</u></u>	<u><u>\$392,200</u></u>	<u><u>\$262,682</u></u>

**General Receipts**

Property Taxes Levied for:  
    General Purposes  
Municipal Income Taxes  
Other Taxes  
Cable Franchise Fees  
Payments in Lieu of Taxes  
Notes Issued  
Sale of Capital Assets  
Interest  
Miscellaneous

*Total General Receipts*

Transfers

Total General Receipts and Transfers

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$254,316)	\$0	(\$254,316)
(585,085)	-	(585,085)
(45,780)	-	(45,780)
(53,438)	-	(53,438)
(611)	-	(611)
16,289	-	16,289
151,527	-	151,527
(1,554,827)	-	(1,554,827)
-	-	-
-	-	-
(30,668)	-	(30,668)
<u>(2,356,908)</u>	<u>-</u>	<u>(2,356,908)</u>
-	(112,911)	(112,911)
-	138,564	138,564
-	<u>(396,247)</u>	<u>(396,247)</u>
-	<u>(370,594)</u>	<u>(370,594)</u>
<u>(\$2,356,908)</u>	<u>(\$370,594)</u>	<u>(\$2,727,503)</u>
206,229	-	206,229
2,133,809	-	2,133,809
193,875	-	193,875
6,949	-	6,949
78,902	-	78,902
1,500,000	103,160	1,603,160
507	-	507
274,491	2,451	276,942
63,941	824	64,765
4,458,703	106,435	4,565,138
(125,500)	125,500	-
<u>4,333,203</u>	<u>231,935</u>	<u>4,565,138</u>
1,976,295	(138,659)	1,837,635
<u>3,118,176</u>	<u>774,443</u>	<u>3,892,619</u>
<u>\$5,094,471</u>	<u>\$635,784</u>	<u>\$5,730,255</u>

**Village of Bluffton**  
**Allen & Hancock Counties**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$492,825	\$1,220	\$0	\$0
Security of Persons and Property	683,971	146,496	4,800	-
Public Health Services	62,912	21,564	-	-
Leisure Time Activities	153,761	80,730	6,658	-
Community Environment	1,558	-	-	-
Basic Utility Services	8,901	13,751	500	-
Transportation	164,710	-	410,576	145,169
Capital Outlay	1,712,403	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<i>Total Governmental Activities</i>	<u>3,281,041</u>	<u>263,760</u>	<u>422,534</u>	<u>145,169</u>
<b>Business Type Activity</b>				
Water	725,469	320,191	-	-
Sewer	521,942	854,115	-	-
Other Enterprise Funds	486,969	160,419	-	-
Total Business Type Activities	<u>1,734,380</u>	<u>1,334,725</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>\$5,015,421</u></u>	<u><u>\$1,598,485</u></u>	<u><u>\$422,534</u></u>	<u><u>\$145,169</u></u>

**General Receipts**

Property Taxes Levied for:  
    General Purposes  
Municipal Income Taxes  
Other Taxes  
Cable Franchise Fees  
Grants and Entitlements not Restricted to Specific Programs  
Payments in Lieu of Taxes  
Notes Issued  
Sale of Capital Assets  
Interest  
Miscellaneous

*Total General Receipts*

Transfers

Total General Receipts and Transfers

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$491,605)	\$0	(\$491,605)
(532,675)	-	(532,675)
(41,348)	-	(41,348)
(66,372)	-	(66,372)
(1,558)	-	(1,558)
5,350	-	5,350
391,035	-	391,035
(1,712,403)	-	(1,712,403)
-	-	-
-	-	-
<u>(2,449,578)</u>	<u>-</u>	<u>(2,449,578)</u>
-	(405,278)	(405,278)
-	332,173	332,173
-	<u>(326,549)</u>	<u>(326,549)</u>
-	<u>(399,654)</u>	<u>(399,654)</u>
<u>(\$2,449,578)</u>	<u>(\$399,654)</u>	<u>(\$2,849,233)</u>
198,960	-	198,960
1,872,544	-	1,872,544
175,398	-	175,398
23,944	-	23,944
248,741	-	248,741
78,761	-	78,761
-	373,734	373,734
-	-	-
193,460	2,064	195,524
24,951	478	25,429
2,816,758	376,276	3,193,034
(70,000)	70,000	-
<u>2,746,758</u>	<u>446,276</u>	<u>3,193,034</u>
297,180	46,622	343,802
<u>2,820,994</u>	<u>727,820</u>	<u>3,548,814</u>
<u>\$3,118,174</u>	<u>\$774,442</u>	<u>\$3,892,616</u>

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	General	TownHall Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,735,280	\$2,442,232	\$916,958	\$5,094,470
<i>Total Assets</i>	<u>\$1,735,280</u>	<u>\$2,442,232</u>	<u>\$916,958</u>	<u>\$5,094,470</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	\$100,484	\$2,007,924	\$20,904	\$2,129,312
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,634,796	-	-	1,634,796
Special Revenue Funds	-	-	510,198	510,198
Debt Service Fund	-	-	863	863
Capital Projects Funds	-	434,308	383,142	817,450
Permanent Fund	-	-	1,851	1,851
<i>Total Fund Balances</i>	<u>\$1,735,280</u>	<u>\$2,442,232</u>	<u>\$916,958</u>	<u>\$5,094,470</u>

See accompanying notes to the basic financial statements



**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	General	Capital Improvement	TownHall Improvement	Street	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,424,591	\$37,023	\$1,035,443	\$314,218	\$306,901	\$3,118,176
<i>Total Assets</i>	<u>\$1,424,591</u>	<u>\$37,023</u>	<u>\$1,035,443</u>	<u>\$314,218</u>	<u>\$306,901</u>	<u>\$3,118,176</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$144,953	\$50,000	\$142,569	\$12,773	\$25,011	\$375,305
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	1,279,638	-	-	-	-	1,279,638
Special Revenue Funds	-	-	-	301,445	44,261	345,706
Debt Service Fund	-	-	-	-	863	863
Capital Projects Funds	-	(12,977)	892,874	-	234,916	1,114,812
Permanent Fund	-	-	-	-	1,851	1,851
<i>Total Fund Balances</i>	<u>\$1,424,591</u>	<u>\$37,023</u>	<u>\$1,035,443</u>	<u>\$314,218</u>	<u>\$306,901</u>	<u>\$3,118,176</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON  
ALLEN & HANCOCK COUNTIES**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	General	Townhall Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Municipal Income Taxes	\$1,707,214	\$426,595	\$0	\$2,133,809
Property and Other Local Taxes	242,512	-	126,295	368,807
Charges for Services	222,576	-	23,804	246,380
Payments in Lieu of Taxes	78,902	-	-	78,902
Fines, Licenses and Permits	16,527	-	26,651	43,178
Intergovernmental	403,034	-	262,682	665,716
Special Assessments	-	-	-	-
Gifts and Contributions	-	-	1,755	1,755
Interest	123,894	104,669	45,928	274,491
Miscellaneous	62,161	1,200	1,088	64,449
<i>Total Receipts</i>	<u>2,856,820</u>	<u>532,463</u>	<u>488,203</u>	<u>3,877,487</u>
<b>Disbursements</b>				
Current:				
General Government	493,520	-	8	493,528
Security of Persons and Property	732,484	-	1,090	733,574
Public Health Services	48,354	-	27,430	75,784
Leisure Time Activities	96,911	-	47,676	144,587
Community Environment	611	-	-	611
Basic Utility Services	-	-	-	-
Transportation	35,977	-	206,137	242,114
Capital Outlay	292,323	725,007	537,497	1,554,827
Debt Service:	-	-	-	-
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	30,668	-	30,668
<i>Total Disbursements</i>	<u>1,700,180</u>	<u>755,674</u>	<u>819,839</u>	<u>3,275,693</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,156,640</u>	<u>(223,211)</u>	<u>(331,635)</u>	<u>601,794</u>
<b>Other Financing Sources (Uses)</b>				
Bond Anticipation Notes Issued	-	1,500,000	-	1,500,000
Sale of Capital Assets	-	-	-	-
Transfers In	-	130,000	590,200	720,200
Transfers Out	(845,700)	-	-	(845,700)
Advances In	12,499	-	12,750	25,249
Advances Out	(12,750)	-	(12,499)	(25,249)
<i>Total Other Financing Sources (Uses)</i>	<u>(845,951)</u>	<u>1,630,000</u>	<u>590,451</u>	<u>1,374,500</u>
<i>Net Change in Fund Balances</i>	310,689	1,406,789	258,816	1,976,294
<i>Fund Balances Beginning of Year</i>	<u>1,424,591</u>	<u>1,035,443</u>	<u>658,142</u>	<u>3,118,176</u>
<i>Fund Balances End of Year</i>	<u>\$1,735,280</u>	<u>\$2,442,232</u>	<u>\$916,958</u>	<u>\$5,094,470</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BLUFFTON**  
**ALLEN & HANCOCK COUNTIES**  
*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Capital Improvement	Townhall Improvement	Street	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$1,595,587	\$0	\$276,957	\$0	\$0	\$1,872,544
Property and Other Local Taxes	227,379	-	-	109,590	11,174	348,143
Charges for Services	227,308	-	-	-	17,839	245,147
Payments in Lieu of Taxes	78,761	-	-	-	-	78,761
Fines, Licenses and Permits	17,416	-	-	24,551	2,861	44,828
Intergovernmental	292,855	278,621	-	-	244,151	815,627
Special Assessments	-	-	-	-	88	88
Cable Franchise Fees	23,944	-	-	-	-	23,944
Gifts and Contributions	536	-	-	-	193	729
Interest	115,374	-	46,458	17,005	14,623	193,460
Miscellaneous	24,851	-	-	-	100	24,951
<i>Total Receipts</i>	<u>2,604,010</u>	<u>278,621</u>	<u>323,415</u>	<u>151,146</u>	<u>291,029</u>	<u>3,648,222</u>
<b>Disbursements</b>						
Current:						
General Government	492,817	-	-	-	8	492,825
Security of Persons and Property	683,026	-	-	-	945	683,971
Public Health Services	34,220	-	-	-	28,692	62,912
Leisure Time Activities	115,998	-	-	-	37,762	153,761
Community Environment	1,558	-	-	-	-	1,558
Basic Utility Services	8,897	-	-	-	4	8,901
Transportation	26,073	-	-	137,632	1,005	164,710
Capital Outlay	327,665	496,598	152,297	178,293	557,550	1,712,403
Debt Service:	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<i>Total Disbursements</i>	<u>1,690,253</u>	<u>496,598</u>	<u>152,297</u>	<u>315,925</u>	<u>625,967</u>	<u>3,281,040</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>913,758</u>	<u>(217,977)</u>	<u>171,118</u>	<u>(164,779)</u>	<u>(334,938)</u>	<u>367,181</u>
<b>Other Financing Sources (Uses)</b>						
Other Debt Issued	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-
Transfers In	-	-	130,000	250,000	348,059	728,059
Transfers Out	(798,059)	-	-	-	-	(798,059)
Advances In	-	-	-	-	12,499	12,499
Advances Out	(12,499)	-	-	-	-	(12,499)
<i>Total Other Financing Sources (Uses)</i>	<u>(810,558)</u>	<u>-</u>	<u>130,000</u>	<u>250,000</u>	<u>360,558</u>	<u>(70,000)</u>
<i>Net Change in Fund Balances</i>	<u>103,200</u>	<u>(217,977)</u>	<u>301,118</u>	<u>85,221</u>	<u>25,620</u>	<u>297,181</u>
<i>Fund Balances Beginning of Year</i>	<u>1,321,391</u>	<u>255,000</u>	<u>734,325</u>	<u>228,997</u>	<u>281,281</u>	<u>2,820,994</u>
<i>Fund Balances End of Year</i>	<u>\$1,424,591</u>	<u>\$37,023</u>	<u>\$1,035,443</u>	<u>\$314,218</u>	<u>\$306,901</u>	<u>\$3,118,175</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, 2007*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$1,456,529	\$1,600,000	\$1,707,214	\$107,214
Property and Other Local Taxes	213,332	234,345	242,512	8,167
Charges for Services	198,857	218,445	222,576	4,131
Payments in Lieu of Taxes	-	-	78,902	78,902
Fines, Licenses and Permits	15,251	16,753	16,527	(226)
Intergovernmental	237,423	260,810	403,034	142,224
Interest	91,033	100,000	123,894	23,894
Miscellaneous	13,172	14,470	62,161	47,691
<i>Total receipts</i>	<u>2,225,597</u>	<u>2,444,823</u>	<u>2,856,820</u>	<u>411,997</u>
<b>Disbursements</b>				
Current:				
General Government	538,895	515,745	559,671	(43,925)
Security of Persons and Property	729,555	764,618	758,963	5,655
Public Health Services	36,292	50,765	48,354	2,411
Leisure Time Activities	122,207	103,862	97,665	6,196
Community Environment	1,558	1,558	611	947
Basic Utility Services	23,100	23,100	7,100	16,000
Transportation	31,066	47,566	35,977	11,589
Capital Outlay	-	337,900	292,323	45,577
<i>Total Disbursements</i>	<u>1,482,673</u>	<u>1,845,114</u>	<u>1,800,664</u>	<u>44,450</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>742,924</u>	<u>599,709</u>	<u>1,056,156</u>	<u>456,447</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	-	-	12,499	12,499
Transfers Out	(821,700)	(856,700)	(845,700)	11,000
Advances Out	(12,750)	(12,750)	(12,750)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(834,450)</u>	<u>(869,450)</u>	<u>(845,951)</u>	<u>23,499</u>
<i>Net Change in Fund Balance</i>	(91,526)	(269,741)	210,205	479,946
<i>Fund Balance Beginning of Year</i>	1,279,638	1,279,638	1,279,638	-
Prior Year Encumbrances Appropriated	144,953	144,953	144,953	-
<i>Fund Balance End of Year</i>	<u>\$1,333,065</u>	<u>\$1,154,850</u>	<u>\$1,634,796</u>	<u>\$479,946</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, 2006*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$1,460,000	\$1,425,000	\$1,595,587	\$170,587
Property and Other Local Taxes	230,533	228,345	227,379	(966)
Charges for Services	221,888	218,820	227,308	8,488
Payments in Lieu of Taxes	-	-	78,761	78,761
Fines, Licenses and Permits	16,753	16,753	17,416	663
Intergovernmental	262,760	260,810	292,855	32,045
Cable Franchise Fees	-	14,000	23,944	9,944
Gifts and Contributions	100	100	536	436
Interest	26,000	45,000	115,374	70,374
Miscellaneous	14,370	14,370	24,851	10,481
<i>Total receipts</i>	<u>2,232,404</u>	<u>2,223,198</u>	<u>2,604,011</u>	<u>380,813</u>
<b>Disbursements</b>				
Current:				
General Government	546,842	841,487	628,457	213,030
Security of Persons and Property	752,175	739,787	690,078	49,709
Public Health Services	36,292	36,292	35,048	1,244
Leisure Time Activities	130,096	129,414	115,998	13,416
Community Environment	1,558	1,558	1,558	-
Basic Utility Services	23,100	31,850	8,897	22,953
Transportation	51,106	67,432	27,505	39,927
Capital Outlay	62,500	491,282	327,665	163,617
<i>Total Disbursements</i>	<u>1,603,669</u>	<u>2,339,102</u>	<u>1,835,206</u>	<u>503,896</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>628,735</u>	<u>(115,904)</u>	<u>768,805</u>	<u>884,709</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(805,200)	(805,506)	(798,059)	7,447
Advances Out	-	(15,499)	(12,499)	3,000
Other Financing Uses	(50,000)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>(855,200)</u>	<u>(821,005)</u>	<u>(810,558)</u>	<u>10,447</u>
<i>Net Change in Fund Balance</i>	(226,465)	(936,909)	(41,753)	895,156
<i>Fund Balance Beginning of Year</i>	976,497	976,497	976,497	-
Prior Year Encumbrances Appropriated	344,894	344,894	344,894	-
<i>Fund Balance End of Year</i>	<u>\$1,094,926</u>	<u>\$384,482</u>	<u>\$1,279,638</u>	<u>\$895,156</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, 2006*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$103,693	\$103,693	\$109,590	\$5,897
Fines, Licenses and Permits	25,250	25,250	24,551	(699)
Special Assessments	5,000	5,000	-	(5,000)
Interest	7,000	7,000	17,005	10,005
Miscellaneous	343	343	-	(343)
<i>Total receipts</i>	<u>141,286</u>	<u>141,286</u>	<u>151,146</u>	<u>9,860</u>
<b>Disbursements</b>				
Current:				
Transportation	189,640	200,424	150,404	50,020
Capital Outlay	250,000	329,755	178,293	151,462
<i>Total Disbursements</i>	<u>439,640</u>	<u>530,179</u>	<u>328,697</u>	<u>201,482</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(298,354)</u>	<u>(388,893)</u>	<u>(177,552)</u>	<u>211,341</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	250,000	250,000	250,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(48,354)	(138,893)	72,448	211,341
<i>Fund Balance Beginning of Year</i>	214,561	214,561	214,561	-
<i>Prior Year Encumbrances Appropriated</i>	<u>14,436</u>	<u>14,436</u>	<u>14,436</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$180,643</u></u>	<u><u>\$90,104</u></u>	<u><u>\$301,445</u></u>	<u><u>\$211,341</u></u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*December 31, 2007*

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Funds	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$37,675	\$417,165	\$180,943	\$635,783
<i>Total Assets</i>	<u>\$37,675</u>	<u>\$417,165</u>	<u>\$180,943</u>	<u>\$635,783</u>
<b>Net Assets</b>				
Restricted for:				
Capital Projects	\$0	\$0	\$74,711	\$74,711
Debt Service	-	-	165,402	165,402
Unrestricted	37,675	417,165	(59,170)	395,670
<b>Total Net Assets</b>	<u>\$37,675</u>	<u>\$417,165</u>	<u>\$180,943</u>	<u>\$635,783</u>

See accompanying notes to the basic financial statements

**Village of Bluffton**  
**Allen and Hancock Counties**  
*Statement of Fund Net Assets - Modified Cash Basis*  
*Proprietary Funds*  
*December 31, 2006*

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Funds	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$16,603	\$549,204	\$208,636	\$774,443
<i>Total Assets</i>	<u>\$16,603</u>	<u>\$549,204</u>	<u>\$208,636</u>	<u>\$774,443</u>
<b>Net Assets</b>				
Restricted for:				
Capital Projects	0	\$0	\$56,834	\$56,834
Debt Service	-	-	123,564	123,564
Unrestricted	16,603	549,204	28,238	594,045
<b>Total Net Assets</b>	<u>\$16,603</u>	<u>\$549,204</u>	<u>\$208,636</u>	<u>\$774,443</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 Assets - Modified Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2007*

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Funds	
<b>Operating Receipts</b>				
Charges for Services	\$303,565	\$840,865	\$160,069	\$1,304,499
Other Operating Receipts	18,622	7,400	-	26,022
<i>Total Operating Receipts</i>	<u>322,187</u>	<u>848,265</u>	<u>160,069</u>	<u>1,330,521</u>
<b>Operating Disbursements</b>				
Personal Services	131,180	140,076	6,997	278,253
Fringe Benefits	48,620	41,909	2,756	93,285
Contractual Services	112,392	197,822	142,339	452,553
Materials and Supplies	35,394	102,832	1,200	139,427
Capital Outlay	3,528	186,953	-	190,481
<i>Total Operating Disbursements</i>	<u>331,115</u>	<u>669,592</u>	<u>153,292</u>	<u>1,153,999</u>
<i>Operating Income (Loss)</i>	<u>(8,928)</u>	<u>178,673</u>	<u>6,778</u>	<u>176,522</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Proceeds from OPWC Loan	32,499	-	-	32,499
Proceeds from OWDA Loan	70,661	-	-	70,661
Interest	-	-	2,451	2,451
Principal Payments	-	(11,759)	(135,457)	(147,217)
Interest and Fiscal Charges	(103,160)	(28,349)	(267,567)	(399,076)
<i>Income (Loss) before Transfers</i>	<u>(8,928)</u>	<u>138,564</u>	<u>(393,796)</u>	<u>(264,160)</u>
Transfers In	30,000		366,103	396,103
Transfers Out		(270,603)		(270,603)
<i>Change in Net Assets</i>	21,072	(132,039)	(27,693)	(138,660)
<i>Net Assets Beginning of Year</i>	<u>16,603</u>	<u>549,204</u>	<u>208,636</u>	<u>774,443</u>
<i>Net Assets End of Year</i>	<u><u>\$37,675</u></u>	<u><u>\$417,165</u></u>	<u><u>\$180,943</u></u>	<u><u>\$635,783</u></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 Assets - Modified Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2006*

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Funds	
<b>Operating Receipts</b>				
Charges for Services	\$320,191	\$854,115	\$160,419	\$1,334,725
Other Operating Receipts	470	9	-	479
<i>Total Operating Receipts</i>	<u>320,661</u>	<u>854,124</u>	<u>160,419</u>	<u>1,335,204</u>
<b>Operating Disbursements</b>				
Personal Services	127,181	140,287	6,198	273,666
Fringe Benefits	43,452	36,967	1,779	82,198
Contractual Services	98,251	166,723	142,813	407,787
Materials and Supplies	61,899	105,809	1,405	169,113
Capital Outlay	20,952	52,102	11,183	84,238
<i>Total Operating Disbursements</i>	<u>351,735</u>	<u>501,888</u>	<u>163,379</u>	<u>1,017,002</u>
<i>Operating Income (Loss)</i>	<u>(31,074)</u>	<u>352,236</u>	<u>(2,959)</u>	<u>318,202</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Proceeds from OPWC Loan	373,734	-	-	373,734
Interest	-	-	2,064	2,064
Principal Payments	-	(5,680)	(98,794)	(104,474)
Interest and Fiscal Charges	(373,734)	(14,374)	(224,796)	(612,904)
<i>Income (Loss) before Transfers</i>	<u>(31,074)</u>	<u>332,182</u>	<u>(324,485)</u>	<u>(23,378)</u>
Transfers In	-	-	340,603	340,603
Transfers Out	-	(270,603)	-	(270,603)
<i>Change in Net Assets</i>	<u>(31,074)</u>	<u>61,579</u>	<u>16,118</u>	<u>46,622</u>
<i>Net Assets Beginning of Year</i>	<u>47,677</u>	<u>487,625</u>	<u>192,518</u>	<u>727,820</u>
<i>Net Assets End of Year</i>	<u>\$16,603</u>	<u>\$549,204</u>	<u>\$208,636</u>	<u>\$774,442</u>

See accompanying notes to the basic financial statements

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 1 – Reporting Entity**

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

**A. Primary Government**

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

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

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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 nonexchange transactions as governmental funds. The Village's only major governmental funds are the General Fund, Street Fund, Capital Improvement Fund, and the Townhall 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 the Village streets.

The Capital Improvement Fund is used to account for resources whose use is restricted to funding the purchase of capital improvement items.

The Townhall Improvement Fund is used to account for grants and collects interest to pay for improvements to the town hall.

The Other Governmental Funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

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

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

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

C. Basis of Accounting

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

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

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.

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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

**E. Cash and Investments**

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

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 2007 & 2006, the Village invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Village’s money market fund investment is recorded at the amount reported by The Citizens National Bank and The First National Bank at December 31, 2007 & 2006.

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, 2007 & 2006.

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 2007 and 2006 was \$123,894 and \$115,374, respectively. Interest receipts credited to the Townhall Improvement Fund during 2007 and 2006 was \$104,669 and \$46,458, respectively.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**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.

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

**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 modified 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 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

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

**M. Net Assets**

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

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

**N. Fund Balance Reserves**

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

**O. Interfund Transactions**

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 nonoperating 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. In the governmental-wide financial statements transfers within governmental activities or within business-type activities are eliminated.

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 3 – Restatement of Fund Balance**

A restatement of fund balance at December 31, 2005 occurred in both Other Governmental Funds and Other Enterprise Funds. The restatement was due to classifying the Water Debt Service Fund as an Other Governmental Fund as of December 31, 2005 instead of an Other Enterprise Fund. The net affect of the restatement was a decrease of \$191 to Other Governmental Funds fund balance and an increase of \$191 to Other Enterprise Funds fund balance as of January 1, 2006.

**Note 4 – Accountability and Compliance**

- (A) The Village was in violation of 5705.36
- (B) The Village was in violation of 5705.39

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund 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 modified cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) in the general fund amounted to \$100,484 and \$144,953 for 2007 and 2006, respectively and in the street fund in 2006 in the amount of \$12,773.

**Note 6 – Deposits and Investments**

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

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

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

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



Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 6 - Deposits and Investments** (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**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, 2007 and 2006, \$5,490,853 and \$3,812,345 of the Village's bank balance of \$5,715,926 and \$3,878,993 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.

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 6 - Deposits and Investments** (continued)

**Investments**

As of December 31, 2007 and 2006, the Village had the following investments:

STAR OHIO	<u>Carrying Value</u>
December 31, 2007	\$14,327
December 31, 2006	<u>\$13,624</u>

STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment act of 1940. STAR Ohio has obtained an AAA money market rating by Standard & Poor's. Interest rate risk arises because potential 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.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires the 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 at least one nationally recognized standard rating service.

**Note 7 – Income Taxes**

The Village levies a one and a quarter percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the 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.

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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.

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 8 – Property Taxes** (continued)

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based was \$77,815,742.

**Note 9 – Risk Management**

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

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

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

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

**Note 10 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not

**Note 10 – Defined Benefit Pension Plans (Continued)**

qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For 2007 and 2006, members of OPERS contributed 9.5% and 9%, respectively. The Village's contribution rate for pension benefits for 2007 and 2006 was 13.85% 13.70%, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$99,531, \$99,316, and \$62,219 respectively. The full amount has been contributed for 2007, 2006 and 2005.

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

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2007, 2006, and 2005 were \$45,769, \$45,431, and \$30,101. The full amount has been contributed for 2006, 2005 and 2004

**Note 11 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 11 - Postemployment Benefits (Continued)**

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$263,023. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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

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

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

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund postemployment benefits were \$19,577 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**Note 12 - Notes Payable/ Lease Commitment**

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

Future payments are due as follows:

September 30, 2008	<u>\$125,200</u>
TOTAL	<u>\$125,200</u>

Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 12 - Notes Payable/ Lease Commitment (Continued)**

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

**Note 13 – Debt**

Under the modified 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 years ended December 31, 2007, was as follows:

<u>Governmental-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2006</u>	<u>Addition</u>	<u>Reductions</u>	<u>Balance 12/31/2007</u>	<u>Due Within One Year</u>
Bond Anticipation Note - Town Hall Improvement	4.09%	\$0	\$1,500,000	\$0	\$1,500,000	\$0
Total - Governmental Type Activities		<u>\$0</u>	<u>\$1,500,000</u>	<u>\$0</u>	<u>\$1,500,000</u>	<u>\$0</u>

The Bond Anticipation Note, issued through Chase JP Morgan Bank, is for the reconstruction and improvements to the Bluffton Town Hall. Repayment of debt is provided by an additional .25% Village income tax approved by the voters. A payment is not due in 2008 with the total outstanding balance including interest scheduled to mature on June 29, 2009.

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2007</u>	<u>Due Within One Year</u>
OWDA Loan- Water System Improvements	5.77%	\$1,655,652	\$0	(\$66,742)	\$1,588,910	\$47,767
Issue II Loan	0.00%	126,731	0	(16,352)	110,379	8,176
OWDA Loan-Wastewater Treatment	4.64%	619,564	0	(17,440)	602,124	12,311
USDA Rural Development Mortgage Revenue Bonds	4.50%	3,934,000	0	(141,000)	3,793,000	75,000
OPWC Loan - Mainstreet Waterline Replacement	0.00%	0	406,233	(10,156)	396,077	20,312
OWDA Loan - Waterline from Ottwa	2.75%	0	70,661	0	70,661	0
Total Business-Type Activities		<u>\$6,335,947</u>	<u>\$476,894</u>	<u>(\$251,690)</u>	<u>\$6,561,151</u>	<u>\$163,566</u>

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

Village of Bluffton  
 Allen and Hancock Counties  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2007 and 2006

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**Note 13 – Debt (Continued)**

The Issue II loan was granted by the Ohio Public Waterworks Commission to finance sanitary sewer improvements. The loan will be repaid in semiannual installments of \$8,176 over a period of 20 years.

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

The USDA Rural Development Permanent Mortgage Revenue Bonds were obtained for the purpose of paying 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 has an OWDA loan relating to the construction of a new waterline from Ottawa. The loan will be repaid in semiannual installments over 20 years. The only disbursements on this loan is the OWDA fees and the capitalized interest. OWDA has not completed the amortization schedule and a date to begin repayment has not been finalized. The loan will be secured by water receipts. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements.

The Village has an OPWC loan relating to the Main Street waterline replacement project. The loan will be repaid in semiannual installments of \$20,312 over a period of 20 years.

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

Year Ending	USDA	OWDA	OWDA Loan	Issue II	OPWC
	Bonds	Loan	Wastewater	Loan	Main Street
"December 31:		Water	System		Waterline
		System	System		Replacement
2008	\$245,685	\$138,768	\$40,108	\$8,176	\$10,156
2009	245,310	138,768	40,108	8,176	20,312
2010	245,800	138,768	40,108	8,176	20,312
2011	245,110	138,768	40,108	8,176	20,312
2012	245,285	138,768	40,108	8,176	20,312
2013-2017	1,226,615	693,840	200,540	40,880	101,558
2018-2022	1,228,245	693,840	200,540	28,619	101,558
2023-2027	1,227,645	555,072	200,540		101,557
2028-2032	1,227,660		200,540		
2033-2034	491,275		40,108		
Total	<u>\$6,628,630</u>	<u>\$2,636,592</u>	<u>\$1,042,808</u>	<u>\$110,379</u>	<u>\$396,077</u>

Village of Bluffton  
 Allen and Hancock Counties  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2007 and 2006

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**Note 14 – Interfund Transfers**

During 2007 the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$0	(\$845,700)
Town Hall		
Improvement	130,000	0
Other Governmental	590,200	0
Water	30,000	0
Sewer	0	(270,603)
Other Enterprise	366,103	0
Total	<u>\$1,116,303</u>	<u>(\$1,116,303)</u>

During 2006 the following transfers were made:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$0	(\$798,059)
Street	250,000	0
Town Hall		
Improvement	130,000	0
Other Governmental	348,059	0
Water	0	0
Sewer	0	(270,603)
Other Enterprise	340,603	0
Total	<u>\$1,068,662</u>	<u>(\$1,068,662)</u>

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets. Money transferred out was money from the General Fund and the Sewer Fund. These Funds transferred monies for 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 for payment of debt obligations.



Village of Bluffton  
Allen and Hancock Counties  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**Note 15 – Construction and Contractual Commitments**

The Village had construction and contractual commitments with the following contractors in regards to the renovation of the Town Hall and was as follows:

<u>Contractor</u>	<u>Amount</u>
Tuttle Construction Inc.	\$1,371,931
Vulcan Fire Protection	132,690
John P. Timmerman	65,151
Dundore Plumbing, Heating & Cooling	178,561
County Electric	211,345

**Note 16 – 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.

# Caudill & Associates, CPA's

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Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Village Council  
Village of Bluffton  
Allen & Hancock County  
P.O. Box 63  
Bluffton, OH 45817

We have audited the financial statements of the government activities, the business type activities each major fund, and the aggregate remaining fund information of the Village of Bluffton, Allen & Hancock County, Ohio (the "Village") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's financial statements and have issued our report thereon dated March 28, 2008 wherein we noted the Village prepared its financial statements on the modified cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financing reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies in the accompanying schedule of findings and responses as items 2007-003 and 2007-004 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-001 and 2007-002.

We did note certain matters that we reported to the Village's management in a separate letter dated March 28, 2008.

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

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
March 28, 2008

**VILLAGE OF BLUFFTON  
ALLEN & HANCOCK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36**

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the Village to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In Fiscal Year 2007, the Park Fund, the Town Hall Improvement Fund, the Capital Improvement Fund, the Water Fund and the Water Debt Service Fund were all appropriated in excess of their available resources. In Fiscal Year 2006, the Park Fund, the Town Hall Improvement Fund, the Capital Improvement Fund, and the Water Fund were all appropriated in excess of their available resources..

This could allow deficit spending to occur.

We recommend the Fiscal Officer obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations. Approval of the modifications should be enacted and documented in the Village Minutes.

**Village Response:**

The Village will monitor budgetary compliance more closely.

**VILLAGE OF BLUFFTON  
ALLEN & HANCOCK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-002**

**Noncompliance Citation – Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated revenue. The Village had several funds in 2007 (Park, Airport Improvement, Capital Improvement, Water Debt Service and Refuse) and in 2006 (Park) that had amended and final appropriations which exceeded its original and final certificates of estimated resources.

We recommend the Fiscal Officer monitor the Village's estimated resources versus appropriations. This should be monitored on a regular basis to determine if an amendment is necessary.

**Village Response:**

The Fiscal Officer will monitor the Village's estimated resources versus appropriations on a regular basis.

**VILLAGE OF BLUFFTON  
ALLEN & HANCOCK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-003**

**Significant Deficiency: Audit Adjustments**

During the audit, several adjusting entries and reclassifications were proposed to management due to the incorrect recording of interest revenue, tax abatement proceeds and debt proceeds. Debt proceeds and interest income had not been properly recorded and were noted during the audit. Tax abatement proceeds were classified as intergovernmental receipts in 2007 and miscellaneous receipts in 2006.

By not properly recording debt proceeds, tax abatement proceeds and interest revenue and any other element of the Village's Accounting System an opportunity exist for the financial statements to be materially misstated.

We recommend that the Village properly record all activities in the accounting system during the year.

**Village Response:**

The Village is working to correct this issue.

**VILLAGE OF BLUFFTON  
ALLEN & HANCOCK COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-004**

**Significant Deficiency: Control deficiencies over swimming pool receipts**

The Village operates a swimming pool that generates cash receipts from tickets sold to residents as well as a concession within the pool where food and drinks are sold. Prudent business perspective requires that the Village establish controls procedures and most importantly enforces them to ensure that monies received are accurate and complete, and to eliminate incentives for the misappropriation of the swimming pool receipts.

Through our testing, we noted that controls over swimming pool cash receipts were inexistent and/or ineffective. Monies were received by any employee, who would also make the deposit to the bank. A proper reconciliation between tickets sold and monies deposited to the bank were not made.

The Village should, as soon as possible, establish proper controls over the swimming pool receipts, and most importantly enforce controls that should be adhered to and monitored regularly by appropriate personnel. Ticket reconciliation should be constantly enforced. Reconciliations should be made between tickets sold and monies deposited at the bank. The monitoring of the controls procedures over swimming pool receipts should be done by personnel outside the swimming pool operation.

**Village Response:**

The Village passed Ordinance No. 19-07 on November 12, 2007, abolishing the recreation board which was governing the operation of the municipal swimming pool. Starting in 2008, the Village Council will govern the operations of the swimming pool.

**VILLAGE OF BLUFFTON  
ALLEN & HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	ORC Section 5705.41(D), Failure to certify funds	Yes	N/A
2003-002	Prior Certification of Funds	Yes	N/A





**Mary Taylor, CPA**  
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  
JUNE 10, 2008**