



**Certified Public Accountants, A.C.**

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES  
Regular Audit  
For the Year Ended December 31, 2017**

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

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

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

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

[www.perrycpas.com](http://www.perrycpas.com)





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Bluffton, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 19, 2018

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VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES

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## INDEPENDENT AUDITOR'S REPORT

September 14, 2018

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Bluffton**, Allen and Hancock Counties, (the Village) as of and for the year ended December 31, 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Bluffton, Allen and Hancock Counties as of December 31, 2017, and for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2017, the Village has elected to changes its financial presentation from an other comprehensive basis of accounting (OCBOA) to regulatory basis.

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

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



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



**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$ 205,241	\$ -	\$ -	\$ -	\$ -	\$ 205,241
Municipal Income Tax	2,072,916	-	-	-	-	2,072,916
Intergovernmental	135,999	158,377	-	147,948	-	442,324
Special Assessments	-	23,864	-	-	-	23,864
Charges for Services	355,145	29,865	-	-	-	385,010
Fines, Licenses and Permits	11,070	-	-	-	-	11,070
Earnings on Investments	64,043	1,475	-	-	-	65,518
Miscellaneous	10,773	10,527	-	2,000	-	23,300
<i>Total Cash Receipts</i>	<u>2,855,187</u>	<u>224,108</u>	<u>-</u>	<u>149,948</u>	<u>-</u>	<u>3,229,243</u>
<b>Cash Disbursements</b>						
Current:						
Security of Persons and Property	846,074	625	-	-	-	846,699
Public Health Services	46,203	22,223	-	-	-	68,426
Leisure Time Activities	117,151	1,619	-	-	-	118,770
Community Environment	1,000	-	-	-	-	1,000
Basic Utility Services	11,000	-	-	6,690	-	17,690
Transportation	81,906	203,010	-	-	-	284,916
General Government	588,120	-	-	-	-	588,120
Capital Outlay	37,462	400,537	-	480,839	-	918,838
Debt Service:						
Principal Retirement	-	11,192	-	15,263	-	26,455
Interest and Fiscal Charges	-	228	-	-	-	228
<i>Total Cash Disbursements</i>	<u>1,728,916</u>	<u>639,434</u>	<u>-</u>	<u>502,792</u>	<u>-</u>	<u>2,871,142</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,126,271</u>	<u>(415,326)</u>	<u>-</u>	<u>(352,844)</u>	<u>-</u>	<u>358,101</u>
<b>Other Financing Receipts</b>						
Transfers In	-	350,000	-	402,000	-	752,000
Transfers Out	(752,000)	-	-	-	-	(752,000)
<i>Total Other Financing Receipts</i>	<u>(752,000)</u>	<u>350,000</u>	<u>-</u>	<u>402,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>374,271</u>	<u>(65,326)</u>	<u>-</u>	<u>49,156</u>	<u>-</u>	<u>358,101</u>
<i>Fund Cash Balances, January 1</i>	<u>2,943,839</u>	<u>254,040</u>	<u>2,730</u>	<u>644,192</u>	<u>1,851</u>	<u>3,846,652</u>
<b>Fund Cash Balances, December 31</b>						
Nonspendable	225	-	-	-	1,500	1,725
Restricted	-	188,714	2,730	495,159	351	686,954
Committed	-	-	-	198,189	-	198,189
Assigned	154,076	-	-	-	-	154,076
Unassigned	3,163,809	-	-	-	-	3,163,809
<i>Fund Cash Balances, December 31</i>	<u><b>\$ 3,318,110</b></u>	<u><b>\$ 188,714</b></u>	<u><b>\$ 2,730</b></u>	<u><b>\$ 693,348</b></u>	<u><b>\$ 1,851</b></u>	<u><b>\$ 4,204,753</b></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BLUFFTON  
ALLEN AND HANCOCK COUNTIES**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 2,483,372
<i>Total Operating Cash Receipts</i>	<u>2,483,372</u>
<b>Operating Cash Disbursements</b>	
Personal Services	244,310
Fringe Benefits	71,237
Contractual Services	981,741
Supplies and Materials	208,779
<i>Total Operating Cash Disbursements</i>	<u>1,506,067</u>
<i>Operating Income</i>	<u>977,305</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Municipal Income Tax	518,229
Special Assessments	25,902
Debt Proceeds	2,066,882
Capital Outlay	(2,717,823)
Principal Retirement	(566,285)
Interest and Other Fiscal Charges	(338,920)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,012,015)</u>
(Loss) before Transfers	(34,710)
Transfers In	789,062
Transfers Out	(789,062)
<i>Net Change in Fund Cash Balances</i>	(34,710)
<i>Fund Cash Balances, January 1</i>	<u>1,105,826</u>
<i>Fund Cash Balances, December 31</i>	<u><b>\$ 1,071,116</b></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2017*

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**Note 1 – Reporting Entity**

The Village of Bluffton (the Village), Allen and Hancock Counties, 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.

***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**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds 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. The funds of the Village are presented below:

***General Fund*** - The General Fund accounts for and reports all financial resources not accounted for and reported 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.

***Special Revenue Funds*** - These funds account for and report the proceeds of specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Fund*** – The Street Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license tax registration fees restricted for construction, maintenance and repair of streets within the Village.

***Debt Service Funds*** – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

***Swimming Pool Debt Service Fund*** – The Swimming Pool Debt Service Fund accounts for the balance of funds restricted to disbursement for principal and interest payments.

***Capital Projects Funds*** – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2017*

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

***Fund Accounting (Continued)***

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

**Equipment Replacement Fund** – The Equipment Replacement Fund is used to account for resources whose use is restricted to funding the purchase of capital improvement items.

**Airport Improvement Fund** – The Airport Improvement Fund is used to account for resources whose use is restricted to funding the purchase of capital improvements for the airport.

**Permanent Funds** – These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

**Cemetery Trust Cahill/Wilcox Fund** – The Cemetery Trust Cahill/Wilcox Fund is used to account for interest earned on a certain amount of principal and spent for the upkeep of graves and lots.

**Enterprise Funds** - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise 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 located within the Village.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

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

**Appropriations** – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2017*

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

***Budgetary Process (Continued)***

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

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

A summary of 2017 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

***Nonspendable*** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

***Committed*** – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF BLUFFTON**  
**ALLEN AND HANCOCK COUNTIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**Fund Balance (Continued)**

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

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

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Swimming Pool Improvement, Refuse and Water/Sewer Improvement Funds. Contrary to Ohio law, appropriations exceeded estimated resources in the Police Equipment, Storm Sewer Improvement, Swimming Pool, Equipment Replacement, Airport Improvement and Water/Sewer Improvement Funds.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,526,346	\$ 2,855,187	\$ 328,841
Special Revenue	497,740	574,108	76,368
Capital Projects	838,000	551,948	(286,052)
Enterprise	3,708,962	5,883,447	2,174,485
Total	\$ 7,571,048	\$ 9,864,690	2,293,642

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,914,491	\$ 2,542,810	\$ 371,681
Special Revenue	687,237	651,766	35,471
Capital Projects	952,398	549,240	403,158
Enterprise	6,386,585	6,140,095	246,490
Total	\$ 10,940,711	\$ 9,883,911	\$ 1,056,800

**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2017*

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**Note 5 – Deposits and Investments**

The Village maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand Deposits	\$ 5,255,591
Certificate of Deposit	1,793
Total Deposits	<u>5,257,384</u>
STAR Ohio	15,035
Total Investments	<u>15,035</u>
Total Deposits and Investments	<u>\$ 5,272,419</u>

The Village also held a balance of \$3,450 in petty cash on hand at December 31, 2017.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village or collateralized by the financial institution's public entity deposit pool. The Village's financial institutions are in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own collateral pools.

***Investments***

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

***Income Taxes***

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

**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2017*

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**Note 7 – Risk Management**

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

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

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

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Ohio Police and Fire Retirement System***

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F full-time police and firefighter participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. OP&F contributes 0.5% to fund these benefits.



**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA #3207	\$ 963,628	5.77%
OWDA #3736	449,472	4.64%
OWDA #4777	2,732,374	2.75%
OPWC #CM32P	219,408	0.00%
OPWC #CM25P	250,679	0.00%
OPWC #CM13N	79,512	0.00%
OPWC #CM22C	32,705	0.00%
OPWC #CM26I	203,115	0.00%
OPWC #CM27R	80,876	0.00%
Citizen's National Bank - Sewer Plant	2,609,546	3.90%
First National Bank - Jackson Elm Waterline	244,788	2.72%
Citizen's National Bank - West Side Interceptor	3,075,384	3.97%
Total	<u>\$ 10,941,487</u>	

The Citizen's National Bank loan was for the purchase of a skid loader. Repayment of the debt is provided for by General Fund monies, and the debt was repaid during 2017.

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

The 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 semi-annual installments of \$20,054, including interest, over 30 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

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

**VILLAGE OF BLUFFTON**  
**ALLEN AND HANCOCK COUNTIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 10 – Debt (Continued)**

The Citizen’s National Bank West Side Interceptor loan was obtained during 2016 with an interest rate of 3.968%. The loan will be repaid in 20 years beginning in 2017. The loan will be repaid over 20 years. Payments will be remitted on a monthly basis.

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

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

<u>Year Ending December 31:</u>	<u>OPWC CM26I</u>	<u>OWDA 3207</u>	<u>OPWC CM22C</u>
2018	\$ 20,311	\$ 138,768	\$ 8,176
2019	20,312	138,768	8,176
2020	20,311	138,768	8,176
2021	20,312	138,768	8,177
2022	20,311	138,768	-
2023-2027	101,558	555,071	-
2028-2032	-	-	-
Total	<u>\$ 203,115</u>	<u>\$ 1,248,911</u>	<u>\$ 32,705</u>

<u>Year Ending December 31:</u>	<u>OWDA 3736</u>	<u>Jackson Elm</u>	<u>Sewer Plant</u>
2018	\$ 40,108	\$ 24,688	\$ 260,057
2019	40,109	24,688	260,056
2020	40,108	24,688	260,057
2021	40,109	24,688	260,056
2022	40,108	24,688	260,057
2023-2027	200,543	123,441	1,300,279
2028-2032	200,543	37,032	693,482
2033-2037	40,109	-	-
Total	<u>\$ 641,737</u>	<u>\$ 283,913</u>	<u>\$ 3,294,044</u>

<u>Year Ending December 31:</u>	<u>OWDA 4777</u>	<u>OPWC CM13N</u>	<u>OPWC CM32P</u>
2018	\$ 289,550	\$ 5,301	\$ 8,604
2019	289,550	5,301	8,604
2020	289,550	5,301	8,604
2021	289,550	5,301	8,605
2022	289,550	5,301	8,604
2023-2027	1,447,750	26,504	43,022
2028-2032	289,550	26,503	43,021
2033-2037	-	-	43,021
2038-2042	-	-	43,021
2043-2047	-	-	4,302
Total	<u>\$ 3,185,050</u>	<u>\$ 79,512</u>	<u>\$ 219,408</u>

**VILLAGE OF BLUFFTON**  
*ALLEN AND HANCOCK COUNTIES*  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 10 – Debt (Continued)**

Year Ending December 31:	OPWC CM25P	OPWC CM27R	Interceptor
2018	\$ 9,831	\$ 2,888	\$ 226,215
2019	9,830	2,889	226,215
2020	9,831	2,888	226,215
2021	9,830	2,889	226,215
2022	9,830	2,888	226,215
2023-2027	49,153	14,443	1,131,075
2028-2032	49,153	14,442	1,131,075
2033-2037	49,153	14,442	1,016,750
2038-2042	49,153	14,442	-
2043-2047	4,915	8,665	-
Total	<u>\$ 250,679</u>	<u>\$ 80,876</u>	<u>\$ 4,409,975</u>

**Note 11 – Interfund Transfers**

Fund	2017	
	Transfer In	Transfer Out
General		\$ (752,000)
Street	350,000	
Fire & Rescue Improvement	90,000	
Swimming Pool Improvement	25,000	
Equipment Replacement	110,000	
Airport Improvement	90,000	
Police Equipment	87,000	
Water		(508,118)
Sewer		(280,944)
Sewer Debt Service	280,944	
Water Debt Service	508,118	
Total	<u>\$ 1,541,062</u>	<u>\$ (1,541,062)</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**Note 12 – Contingent Liabilities**

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

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313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

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

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

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

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

September 14, 2018

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Bluffton**, Allen and Hancock Counties (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated September 14, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-001 through 2017-003 described in the accompanying schedule of audit findings to be material weaknesses.

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### **Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-004 described in the accompanying schedule of audit findings to be a significant deficiency.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2017-004.

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

### ***Village's Response to Findings***

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



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

**VILLAGE OF BLUFFTON**  
ALLEN AND HANCOCK COUNTIES  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Material Weakness**

**Bank to Book Reconciliation**

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

The book balance did reconcile with the bank during 2017; however, adjustments were posted in the system after year end which caused the reconciliation error. The December 2017 book balance was \$3,985 less than the reconciled bank balance. Unexplained bank to book reconciliation errors reduce accountability and increase the risk that irregularities will not be detected timely. Additionally, when the bank balance is greater than the book balance there is the impression that money collected has not been properly accounted for by the Village.

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

**Management's Response** – Bank reconciliations are now performed on a monthly basis and are approved by a Council member.

**FINDING NUMBER 2017-002**

**Material Weakness**

**Posting Receipts, Disbursements and Classification of Fund Balances**

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

During 2017, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Subsequent appropriations in the General Fund were classified as Unassigned instead of as Assigned;
- Capital Projects Funds' balances funded by transfers were classified as Restricted instead of as Committed;
- The corpuses of the Permanent Fund trusts were classified as Restricted instead of as Nonspendable;
- Park activity was classified as Special Revenue Fund activity instead of General Fund activity;
- Line of credit payments were recorded as Transportation instead of Principal Retirement and Interest and Fiscal Charges in the Street Fund;

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

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

**FINDING NUMBER 2017-002 (Continued)**

**Posting Receipts, Disbursements and Classification of Fund Balances (Continued)**

- Income tax revenue was recorded as Miscellaneous instead of Municipal Income Tax in the Water/Sewer Improvement Fund;
- Interceptor debt proceeds were recorded as Miscellaneous instead of Debt Proceeds in the Water/Sewer Improvement Fund;
- Assessments were recorded as Miscellaneous instead of Special Assessments in the Water/Sewer Improvement Fund;
- Gas excise tax receipt was recorded as Miscellaneous in the General Fund instead of Intergovernmental in the Street and State Highway Funds;
- Debt payment was recorded as Capital Outlay instead of Principal Retirement in the Capital Improvement Fund;
- Debt payments were recorded as Supplies and Materials instead of Principal Retirement and Interest and Fiscal Charges in the Sewer Fund;
- Portion of a debt payment was recorded as Principal Retirement instead of Interest and Fiscal Charges in the Water/Sewer Improvement Fund;
- Employee fringe benefits were recorded as Professional Services instead of Fringe Benefits in the Water and Sewer Funds;
- Paving project was recorded as Transportation instead of Capital Outlay in the Street Fund;
- Sidewalk repairs were recorded as Transportation instead of Capital Outlay in the General Fund;
- Sidewalk repair fee revenue recorded as Charges for Services instead of Special Assessments in the Street Fund;
- Brush and leaf disposal was recorded as Community Environment instead of Basic Utility Services in the General Fund;
- Police equipment expenses were recorded as Security of Persons and Property instead of Capital Outlay in the Police Equipment Fund;
- Fire equipment expenses were recorded as Security of Persons and Property instead of Capital Outlay in the Fire and Rescue Improvement Fund;
- Pool equipment expenses were recorded as Leisure Time Activities instead of Capital Outlay in the Swimming Pool Improvement Fund;
- Airport capital expenses were recorded as Transportation instead of Capital Outlay in the Airport Improvement Fund;
- Street capital expenses were recorded as Transportation instead of Capital Outlay in the Street Fund.

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

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

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

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



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

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

**FINDING NUMBER 2017-003**

**Material Weakness**

**Outstanding Advances**

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

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

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

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

**FINDING 2017-004**

**Significant Deficiency/Noncompliance**

**Budgetary Controls**

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

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

- Violations of 5705.39 stating that total appropriations from each fund shall not exceed the total estimated resources in the Police Equipment Replacement, Storm Sewer Improvement, Swimming Pool Improvement, Equipment Replacement, Airport Improvement and Water/Sewer Improvement Funds.
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations) in the Swimming Pool Improvement, Refuse and Water/Sewer Improvement Funds.
- Violations of Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Village did not properly certify the availability of funds prior to purchase commitment for 30% of the expenditures tested for 2017.

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

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

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

**FINDING 2017-004 (Continued)**

**Budgetary Controls (Continued)**

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

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

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

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

**VILLAGE OF BLUFFTON**  
**ALLEN AND HANCOCK COUNTIES**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Bank to Book Reconciliation	Partially Corrected	Repeated as Finding 2017-001
2016-002	Posting Receipts, Disbursements and Classification of Fund Balances	Not Corrected	Repeated as Finding 2017-002
2016-003	Outstanding Advances	Not Corrected	Repeated as Finding 2017-003
2016-004	Budgetary Controls	Not Corrected	Repeated as Finding 2017-004

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# Dave Yost • Auditor of State

VILLAGE OF BLUFFTON

ALLEN COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 8, 2018