

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF BLUFFTON

WELLS COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED

11/22/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tamara D. Runyon	01-01-12 to 12-31-15
Mayor	Ted L. Ellis	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Ted L. Ellis	01-01-12 to 12-31-15
President of the Common Council	James E. Phillabaum	01-01-12 to 12-31-13
Supervisor of Water Utility	Doug L. Huss	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Robin L. Merchant Mark K. Baller (Interim) Gregory H. Castilow	01-01-12 to 06-25-12 06-26-12 to 08-26-12 08-27-12 to 12-31-13
Supervisor of Electric Utility	Lloyd M. Green	01-01-12 to 12-31-13
Utility Operations Manager	Mark K. Baller Jon S. Oman	01-01-12 to 08-26-13 08-27-13 to 12-31-13



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BLUFFTON, WELLS COUNTY, INDIANA

We have examined the accompanying financial statement of the City of Bluffton (City), for the year ended December 31, 2012. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.


Paul D. Joyce, CPA
State Examiner

October 16, 2013

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF BLUFFTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 681,098	\$ 4,838,614	\$ 4,322,465	\$ 1,197,247
Motor Vehicle Highway	184,536	905,602	680,810	409,328
Local Road and Street	58,674	41,539	50,000	50,213
Law Enforcement Continuing Ed	62,270	8,969	50	71,189
Clerk's Records Perpetuation	25,253	2,215	3,800	23,668
Unsafe Building	9,320	-	3,316	6,004
Parks and Recreation Operating	215,655	505,135	659,339	61,451
Law Enforcement User Fee	16,812	5,074	3,753	18,133
Rainy Day	573,297	165,819	96,009	643,107
K-9	1,039	250	110	1,179
CEDIT Special Revenue	1,535,739	761,728	1,151,487	1,145,980
Levy Excess	-	66,320	16,048	50,272
Drug Task Force	25,934	12,129	9,433	28,630
Cumulative Capital Improvement Cigarette Tax	300,129	46,701	26,239	320,591
Cumulative Capital Development	894,708	126,070	-	1,020,778
Park Nonreverting Capital	33,551	35,324	290	68,585
General Improvement	96,953	19,286	10,974	105,265
Self-Insurance	1,893,619	1,820,335	1,802,409	1,911,545
Old Police Pension	112,299	254,787	247,877	119,209
City Court Supplemental	6,853	178,819	179,360	6,312
Grant Miscellaneous	3,531	3,316	2,654	4,193
DARE	7,349	2,349	7,603	2,095
Court Fees	62	34,519	34,519	62
LOIT - Public Safety	233,308	86,835	210,182	109,961
Animal Shelter Vet Fees	14,856	6,132	7,791	13,197
Special Programs	12,580	10,118	13,542	9,156
Park and Rec Dance	4,119	1,760	410	5,469
Park and Rec Sports	15,182	9,618	3,494	21,306
Park and Rec Special Programs	17,294	4,625	6,179	15,740
Animal Care Donations	10,823	4,044	3,234	11,633
Memorial Park	370	-	-	370
Veterans Memorial Park	1,478	-	-	1,478
Adams Street Redevelopment	127,380	233,529	240,841	120,068
Robert Covault Memorial	44,934	12,000	-	56,934
Police Training	1,605	-	1,605	-
Park and Rec Land Acquisition	37,927	-	-	37,927
Wells Community Pool - Non Reverting	121,102	104,543	99,170	126,475
Bluffton/Wells County Fire Dept Communication Tower	40	11,307	11,029	318
Domestic Violence Abuse	1,223	3,270	2,462	2,031
Police Programs	5,478	5,160	4,051	6,587
EDC Misc Revenue	942,938	100,000	-	1,042,938
Payroll	10,921	2,939,805	2,731,067	219,659
Electric Utility - Operating	2,792,169	19,888,908	20,903,894	1,777,183
Electric Utility - Depreciation/Improvement	2,486,220	333,419	2,283,215	536,424
Electric Utility - Customer Deposit	336,751	60,965	49,383	348,333
Electric Utility - Insurance Reserve	288,340	40,000	-	328,340
Electric Utility - Cash Reserve	58,902	66,020	79,224	45,698
Electric Utility - Operating Investment	126,400	-	-	126,400
Wastewater Utility - Operating	429,992	2,976,821	2,767,060	639,753
Wastewater Utility - Bond and Interest	38,007	519,174	623,009	(65,828)
Wastewater Utility - Cash Improvement	310,028	1,167,499	1,234,045	243,482
Wastewater Utility - Debt Reserve	637,532	-	-	637,532
Water Utility - Operating	227,027	1,514,902	1,435,297	306,632
Water Utility - Depreciation/Improvement	6	-	-	6
Water Utility - North Oaks Escrow	30,879	-	-	30,879
Totals	\$ 16,104,492	\$ 39,935,354	\$ 42,018,729	\$ 14,021,117

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

CITY OF BLUFFTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF BLUFFTON
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF BLUFFTON
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BLUFFTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The

CITY OF BLUFFTON
NOTES TO FINANCIAL STATEMENT
(Continued)

plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. *1977 Police Officers' and Firefighters' Pension and Disability Fund*

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains a fund with a deficit in cash. This is a result of the Wastewater Utility not transferring enough funds to cover the bond and interest payments due.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Ed	Clerk's Records Perpetuation	Unsafe Building	Parks and Recreation Operating
Cash and investments - beginning	\$ 681,098	\$ 184,536	\$ 58,674	\$ 62,270	\$ 25,253	\$ 9,320	\$ 215,655
Receipts:							
Taxes	1,449,935	586,124	-	-	-	-	276,161
Licenses and permits	47,557	-	-	4,130	-	-	-
Intergovernmental	2,196,971	308,348	41,539	-	-	-	28,987
Charges for services	456,693	-	-	3,750	-	-	98,162
Fines and forfeits	35,929	-	-	1,089	2,215	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	651,529	11,130	-	-	-	-	101,825
Total receipts	<u>4,838,614</u>	<u>905,602</u>	<u>41,539</u>	<u>8,969</u>	<u>2,215</u>	<u>-</u>	<u>505,135</u>
Disbursements:							
Personal services	2,789,003	382,150	-	-	-	-	328,209
Supplies	113,107	146,897	-	-	-	-	65,865
Other services and charges	611,713	50,549	50,000	-	3,800	3,316	111,265
Capital outlay	73,774	101,214	-	-	-	-	26,836
Other disbursements	734,868	-	-	50	-	-	127,164
Total disbursements	<u>4,322,465</u>	<u>680,810</u>	<u>50,000</u>	<u>50</u>	<u>3,800</u>	<u>3,316</u>	<u>659,339</u>
Excess (deficiency) of receipts over disbursements	<u>516,149</u>	<u>224,792</u>	<u>(8,461)</u>	<u>8,919</u>	<u>(1,585)</u>	<u>(3,316)</u>	<u>(154,204)</u>
Cash and investments - ending	<u>\$ 1,197,247</u>	<u>\$ 409,328</u>	<u>\$ 50,213</u>	<u>\$ 71,189</u>	<u>\$ 23,668</u>	<u>\$ 6,004</u>	<u>\$ 61,451</u>

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Law Enforcement User Fee	Rainy Day	K-9	CEDIT Special Revenue	Levy Excess	Drug Task Force	Cumulative Capital Improvement Cigarette Tax
Cash and investments - beginning	\$ 16,812	\$ 573,297	\$ 1,039	\$ 1,535,739	\$ -	\$ 25,934	\$ 300,129
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	455,039	-	10,175	46,499
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	5,074	-	-	-	-	1,954	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	165,819	250	306,689	66,320	-	202
Total receipts	<u>5,074</u>	<u>165,819</u>	<u>250</u>	<u>761,728</u>	<u>66,320</u>	<u>12,129</u>	<u>46,701</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	110	-	-	6,634	-
Other services and charges	-	96,009	-	33,322	-	1,188	26,239
Capital outlay	-	-	-	1,118,165	-	-	-
Other disbursements	3,753	-	-	-	16,048	1,611	-
Total disbursements	<u>3,753</u>	<u>96,009</u>	<u>110</u>	<u>1,151,487</u>	<u>16,048</u>	<u>9,433</u>	<u>26,239</u>
Excess (deficiency) of receipts over disbursements	<u>1,321</u>	<u>69,810</u>	<u>140</u>	<u>(389,759)</u>	<u>50,272</u>	<u>2,696</u>	<u>20,462</u>
Cash and investments - ending	<u>\$ 18,133</u>	<u>\$ 643,107</u>	<u>\$ 1,179</u>	<u>\$ 1,145,980</u>	<u>\$ 50,272</u>	<u>\$ 28,630</u>	<u>\$ 320,591</u>

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cumulative Capital Development	Park Nonreverting Capital	General Improvement	Self-Insurance	Old Police Pension	City Court Supplemental	Grant Miscellaneous
Cash and investments - beginning	\$ 894,708	\$ 33,551	\$ 96,953	\$ 1,893,619	\$ 112,299	\$ 6,853	\$ 3,531
Receipts:							
Taxes	113,521	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	11,916	-	-	-	254,681	-	-
Charges for services	-	8,510	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	178,819	-
Penalties	-	-	-	-	-	-	-
Other receipts	633	26,814	19,286	1,820,335	106	-	3,316
Total receipts	<u>126,070</u>	<u>35,324</u>	<u>19,286</u>	<u>1,820,335</u>	<u>254,787</u>	<u>178,819</u>	<u>3,316</u>
Disbursements:							
Personal services	-	-	-	-	247,877	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	10,974	1,802,409	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	290	-	-	-	179,360	2,654
Total disbursements	<u>-</u>	<u>290</u>	<u>10,974</u>	<u>1,802,409</u>	<u>247,877</u>	<u>179,360</u>	<u>2,654</u>
Excess (deficiency) of receipts over disbursements	<u>126,070</u>	<u>35,034</u>	<u>8,312</u>	<u>17,926</u>	<u>6,910</u>	<u>(541)</u>	<u>662</u>
Cash and investments - ending	<u>\$ 1,020,778</u>	<u>\$ 68,585</u>	<u>\$ 105,265</u>	<u>\$ 1,911,545</u>	<u>\$ 119,209</u>	<u>\$ 6,312</u>	<u>\$ 4,193</u>

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	DARE	Court Fees	LOIT - Public Safety	Animal Shelter Vet Fees	Special Programs	Park and Rec Dance	Park and Rec Sports
Cash and investments - beginning	\$ 7,349	\$ 62	\$ 233,308	\$ 14,856	\$ 12,580	\$ 4,119	\$ 15,182
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	86,764	-	-	-	-
Charges for services	-	-	-	6,132	-	1,760	9,618
Fines and forfeits	-	34,519	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,349	-	71	-	10,118	-	-
Total receipts	<u>2,349</u>	<u>34,519</u>	<u>86,835</u>	<u>6,132</u>	<u>10,118</u>	<u>1,760</u>	<u>9,618</u>
Disbursements:							
Personal services	-	-	210,182	-	-	-	120
Supplies	7,515	-	-	-	-	160	2,874
Other services and charges	88	-	-	7,791	-	250	500
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	34,519	-	-	13,542	-	-
Total disbursements	<u>7,603</u>	<u>34,519</u>	<u>210,182</u>	<u>7,791</u>	<u>13,542</u>	<u>410</u>	<u>3,494</u>
Excess (deficiency) of receipts over disbursements	<u>(5,254)</u>	<u>-</u>	<u>(123,347)</u>	<u>(1,659)</u>	<u>(3,424)</u>	<u>1,350</u>	<u>6,124</u>
Cash and investments - ending	<u>\$ 2,095</u>	<u>\$ 62</u>	<u>\$ 109,961</u>	<u>\$ 13,197</u>	<u>\$ 9,156</u>	<u>\$ 5,469</u>	<u>\$ 21,306</u>

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Park and Rec Special Programs	Animal Care Donations	Memorial Park	Veterans Memorial Park	Adams Street Redevelopment	Robert Covault Memorial	Police Training
Cash and investments - beginning	\$ 17,294	\$ 10,823	\$ 370	\$ 1,478	\$ 127,380	\$ 44,934	\$ 1,605
Receipts:							
Taxes	-	-	-	-	233,529	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	4,620	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	5	4,044	-	-	-	12,000	-
Total receipts	<u>4,625</u>	<u>4,044</u>	<u>-</u>	<u>-</u>	<u>233,529</u>	<u>12,000</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	4,483	-	-	-	-	-	-
Other services and charges	1,696	3,234	-	-	2,984	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	237,857	-	1,605
Total disbursements	<u>6,179</u>	<u>3,234</u>	<u>-</u>	<u>-</u>	<u>240,841</u>	<u>-</u>	<u>1,605</u>
Excess (deficiency) of receipts over disbursements	<u>(1,554)</u>	<u>810</u>	<u>-</u>	<u>-</u>	<u>(7,312)</u>	<u>12,000</u>	<u>(1,605)</u>
Cash and investments - ending	<u>\$ 15,740</u>	<u>\$ 11,633</u>	<u>\$ 370</u>	<u>\$ 1,478</u>	<u>\$ 120,068</u>	<u>\$ 56,934</u>	<u>\$ -</u>

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Park and Rec Land Acquisition	Wells Community Pool - Non Reverting	Bluffton/ Wells County Fire Dept Communication Tower	Domestic Violence Abuse	Police Programs	EDC Misc Revenue	Payroll
Cash and investments - beginning	\$ 37,927	\$ 121,102	\$ 40	\$ 1,223	\$ 5,478	\$ 942,938	\$ 10,921
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	5,543	11,307	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	99,000	-	3,270	5,160	100,000	2,939,805
Total receipts	-	104,543	11,307	3,270	5,160	100,000	2,939,805
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	11,029	2,462	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	99,170	-	-	4,051	-	2,731,067
Total disbursements	-	99,170	11,029	2,462	4,051	-	2,731,067
Excess (deficiency) of receipts over disbursements	-	5,373	278	808	1,109	100,000	208,738
Cash and investments - ending	\$ 37,927	\$ 126,475	\$ 318	\$ 2,031	\$ 6,587	\$ 1,042,938	\$ 219,659

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Electric Utility - Operating	Electric Utility - Depreciation/ Improvement	Electric Utility - Customer Deposit	Electric Utility - Insurance Reserve	Electric Utility - Cash Reserve	Electric Utility - Operating Investment	Wastewater Utility - Operating
Cash and investments - beginning	\$ 2,792,169	\$ 2,486,220	\$ 336,751	\$ 288,340	\$ 58,902	\$ 126,400	\$ 429,992
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Penalties	63,959	-	-	-	-	-	63,425
Other receipts	19,824,949	333,419	60,965	40,000	66,020	-	2,913,396
Total receipts	<u>19,888,908</u>	<u>333,419</u>	<u>60,965</u>	<u>40,000</u>	<u>66,020</u>	<u>-</u>	<u>2,976,821</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	20,903,894	2,283,215	49,383	-	79,224	-	2,767,060
Total disbursements	<u>20,903,894</u>	<u>2,283,215</u>	<u>49,383</u>	<u>-</u>	<u>79,224</u>	<u>-</u>	<u>2,767,060</u>
Excess (deficiency) of receipts over disbursements	<u>(1,014,986)</u>	<u>(1,949,796)</u>	<u>11,582</u>	<u>40,000</u>	<u>(13,204)</u>	<u>-</u>	<u>209,761</u>
Cash and investments - ending	<u>\$ 1,777,183</u>	<u>\$ 536,424</u>	<u>\$ 348,333</u>	<u>\$ 328,340</u>	<u>\$ 45,698</u>	<u>\$ 126,400</u>	<u>\$ 639,753</u>

CITY OF BLUFFTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility - Bond and Interest	Wastewater Utility - Cash Improvement	Wastewater Utility - Debt Reserve	Water Utility - Operating	Water Utility - Depreciation/ Improvement	Water Utility - North Oaks Escrow	Totals
Cash and investments - beginning	\$ 38,007	\$ 310,028	\$ 637,532	\$ 227,027	\$ 6	\$ 30,879	\$ 16,104,492
Receipts:							
Taxes	-	-	-	-	-	-	2,659,270
Licenses and permits	-	-	-	-	-	-	51,687
Intergovernmental	-	-	-	-	-	-	3,440,919
Charges for services	-	-	-	-	-	-	606,095
Fines and forfeits	-	-	-	-	-	-	259,599
Penalties	-	-	-	8,788	-	-	136,172
Other receipts	519,174	1,167,499	-	1,506,114	-	-	32,781,612
Total receipts	<u>519,174</u>	<u>1,167,499</u>	<u>-</u>	<u>1,514,902</u>	<u>-</u>	<u>-</u>	<u>39,935,354</u>
Disbursements:							
Personal services	-	-	-	-	-	-	3,957,541
Supplies	-	-	-	-	-	-	347,645
Other services and charges	-	-	-	-	-	-	2,830,818
Capital outlay	-	-	-	-	-	-	1,319,989
Other disbursements	623,009	1,234,045	-	1,435,297	-	-	33,562,736
Total disbursements	<u>623,009</u>	<u>1,234,045</u>	<u>-</u>	<u>1,435,297</u>	<u>-</u>	<u>-</u>	<u>42,018,729</u>
Excess (deficiency) of receipts over disbursements	<u>(103,835)</u>	<u>(66,546)</u>	<u>-</u>	<u>79,605</u>	<u>-</u>	<u>-</u>	<u>(2,083,375)</u>
Cash and investments - ending	<u>\$ (65,828)</u>	<u>\$ 243,482</u>	<u>\$ 637,532</u>	<u>\$ 306,632</u>	<u>\$ 6</u>	<u>\$ 30,879</u>	<u>\$ 14,021,117</u>

CITY OF BLUFFTON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 22,709	\$ 1,559
Electric	97,930	1,808,137
Wastewater	49,899	369,778
Water	<u>153,259</u>	<u>162,494</u>
Totals	<u>\$ 323,797</u>	<u>\$ 2,341,968</u>

CITY OF BLUFFTON
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Bluffton PD	Copier Machine	\$ 1,196	08-01-2012	08-01-2017
Town of Vera Cruz	Sanitary Sewer	<u>15,039</u>	01-01-2007	12-31-2106
Total of annual lease payments		<u>\$ 16,235</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	New Treatment Plant/Update system	\$ 1,135,000	\$ 304,084
Revenue bonds	New Treatment Plant/Update system	<u>585,000</u>	<u>14,991</u>
Totals		<u>\$ 1,720,000</u>	<u>\$ 319,075</u>

CITY OF BLUFFTON
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 2,349,841
Infrastructure	2,475,785
Buildings	1,971,078
Improvements other than buildings	1,186,404
Machinery, equipment, and vehicles	3,458,012
Construction in progress	2,446,582
Total governmental activities	13,887,702
Electric:	
Land	49,116
Buildings	1,726,355
Machinery, equipment, and vehicles	13,636,861
Total Electric	15,412,332
Wastewater:	
Land	573,561
Infrastructure	4,513,120
Buildings	5,564,536
Machinery, equipment, and vehicles	3,891,940
Books and other	6,858
Total Wastewater	14,550,015
Water:	
Land	218,616
Infrastructure	3,298,332
Buildings	2,131,586
Machinery, equipment, and vehicles	1,808,429
Books and other	8,890
Total Water	7,465,853
Total capital assets	\$ 51,315,902

CITY OF BLUFFTON
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS - UTILITY FUNDS

Depository reconciliations of the Utilities' cash balances to the bank account balances were not prepared after April 30, 2012.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERDRAWN CASH BALANCE

The financial statement presented in this report included the following fund with an overdrawn cash balance at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Wastewater Utility - Bond and Interest	<u>\$ 65,828</u>

The Wastewater Utility did not comply with its existing Ordinance No. 986 requiring monthly payments into the Bond and Interest account. Monthly transfers of \$51,917 were not made for November and December.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The Annual Report for 2012 contained a number of errors and did not properly reflect the financial activity of the City of Bluffton. The total receipts or disbursements were misstated for 6 of the 13 Utility funds reported. Errors ranged from \$5 of understated Water Operating disbursements to \$1,934,384 of understated Wastewater Operating receipts. The reported amounts did not reflect the amounts as recorded in the general ledger of the Utilities.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

CITY OF BLUFFTON
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2013, with Tamara D. Runyon, Clerk-Treasurer; James E. Phillabaum, President of the Common Council; Jon S. Oman, Utility Operations Manager; and Ted L. Ellis, Mayor. The Official Response has been made a part of this report and may be found on pages 27 and 28.

City of Bluffton Clerk Treasurer

Tamara D. Runyon

cityclerk@ci.bluffton.in.us
ci.bluffton.in.us

128 East Market Street, Suite 101
Bluffton IN 46714-2022
Phone 260-824-0612
Fax 260-824-6041

October 16, 2013

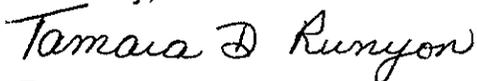
State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

In response to the incorrect figures on the annual report for the Utility accounts, the figures entered were the figures given to me by the Utility Office as of 12/31/2012 for the annual report in February 2013. Our Utilities are ran as a separate entity and are not under the Clerk Treasurer. They have a Utility Manager appointed by the Mayor.

The City of Bluffton and Bluffton Utilities switched accounting software in 2012. The Bluffton Utilities has had problems with the switch over. The Clerk Treasurer's office did offer to help as we were on the software earlier in the year. In September 2013, a new Utility Office Manager was appointed.

The Mayor and I have discussed several ways to try to make the Utility Office run better with the new software in the last couple of months. I will continue to work with the Mayor and new Utility Office Manager to correct the problems cited.

Sincerely,



Tamara D. Runyon, IAMC, MMC
City Clerk Treasurer



TED ELLIS
MAYOR
CITY OF BLUFFTON

October 16, 2013

State Board of Accounts
302 West Washington Street Room E418
Indianapolis, Indiana 46204-2765

Re: Audit of year 2012

This refers to a letter to you from Clerk-Treasurer Tamara D. Runyon dated October 16, 2013 and in reply to the audit results and comments contained in the audit report.

I concur with the analysis of the situation by the Clerk-Treasurer and affirm our willingness to work together to correct items cited in the report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Ted Ellis".

Ted Ellis
Mayor