



Dave Yost • Auditor of State

VILLAGE OF BLAKESLEE
WILLIAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - Proprietary Fund - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - Proprietary Fund - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Dave Yost • Auditor of State

Village of Blakeslee
Williams County
227 Washington Street, PO Box 194
Blakeslee, Ohio 43505-0194

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

September 26, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Blakeslee
Williams County
227 Washington Street, P.O. Box 194
Blakeslee, Ohio 43505-0194

To the Village Council:

We have audited the accompanying financial statements of the Village of Blakeslee, Williams County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio Governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Blakeslee, Williams County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

September 26, 2012

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$2,468		\$2,468
Intergovernmental	16,423	\$6,468	22,891
Fines, Licenses and Permits	1,129		1,129
Earnings on Investments	757	539	1,296
Miscellaneous	179		179
	<u>20,956</u>	<u>7,007</u>	<u>27,963</u>
 Cash Disbursements			
Current:			
Security of Persons and Property	10,642		10,642
Leisure Time Activities		2,726	2,726
Basic Utility Services	2,765	5,592	8,357
General Government	18,510		18,510
	<u>31,917</u>	<u>8,318</u>	<u>40,235</u>
<i>Total Cash Disbursements</i>	<u>31,917</u>	<u>8,318</u>	<u>40,235</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(10,961)</u>	<u>(1,311)</u>	<u>(12,272)</u>
<i>Fund Cash Balances, January 1</i>	<u>105,613</u>	<u>78,222</u>	<u>183,835</u>
 Fund Cash Balances, December 31			
Restricted		76,911	76,911
Unassigned	94,652		94,652
	<u>94,652</u>	<u>76,911</u>	<u>171,563</u>
<i>Fund Cash Balances, December 31</i>	<u>\$94,652</u>	<u>\$76,911</u>	<u>\$171,563</u>

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

VILLAGE OF BLAKESLEE
WILLIAMS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$6,509</u>
Operating Cash Disbursements	
Personal Services	100
Contractual Services	<u>6,874</u>
<i>Total Operating Cash Disbursements</i>	<u>6,974</u>
<i>Operating Loss</i>	<u>(465)</u>
<i>Fund Cash Balance, January 1</i>	<u>256</u>
<i>Fund Cash Balance, December 31</i>	<u><u>(\$209)</u></u>

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

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$2,957		\$2,957
Intergovernmental	17,897	\$9,038	26,935
Special Assessments	139		139
Fines, Licenses and Permits	4,032		4,032
Earnings on Investments	1,088	440	1,528
<i>Total Cash Receipts</i>	<u>26,113</u>	<u>9,478</u>	<u>35,591</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	8,100	590	8,690
Leisure Time Activities		1,996	1,996
Transportation		395	395
Basic Utility Service	2,573		2,573
General Government	35,316		35,316
<i>Total Cash Disbursements</i>	<u>45,989</u>	<u>2,981</u>	<u>48,970</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,876)</u>	<u>6,497</u>	<u>(13,379)</u>
<i>Fund Cash Balances, January 1</i>	<u>125,489</u>	<u>71,725</u>	<u>197,214</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$105,613</u></u>	<u><u>\$78,222</u></u>	<u><u>\$183,835</u></u>

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

VILLAGE OF BLAKESLEE
WILLIAMS COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (CASH BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$6,762</u>
Operating Cash Disbursements:	
Personal Services	<u>8,425</u>
<i>Operating Loss</i>	<u>(1,663)</u>
<i>Fund Cash Balance, January 1</i>	<u>1,919</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$256</u></u>

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

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Blakeslee, Williams County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides garbage services, park operations, and police services.

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 5 to the financial statements, provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. 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.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Parks Recreation Fund – This fund receives donations and general fund transfers to fund construction and operation of the Village Park.

3. 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 Fund:

Garbage Fund – This fund receives charges for services from residents to cover the cost of providing the collection of residents' garbage from an independent contractor.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For December 31, 2011 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:

1. Nonspendable

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

VILLAGE OF BLAKESLEE
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

2. **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 Villages; or is imposed by law through constitutional provisions.

3. **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.

4. **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.

5. **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.

G. Property, Plant, and Equipment

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

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits

The Village maintains a deposit 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:

	2011	2010
Demand deposits	\$101,354	\$114,091
Certificates of deposit	70,000	70,000
Total deposits	\$171,354	\$184,091

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,905	\$20,956	(\$2,949)
Special Revenue	9,750	7,007	(2,743)
Enterprise	6,700	6,509	(191)
Total	\$40,355	\$34,472	(\$5,883)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,000	\$31,917	\$11,083
Special Revenue	11,126	8,318	2,808
Enterprise	7,200	6,974	226
Total	\$61,326	\$47,209	\$14,117

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,601	\$26,113	(\$488)
Special Revenue	10,675	9,478	(1,197)
Enterprise	6,900	6,762	(138)
Total	\$44,176	\$42,353	(\$1,823)

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,000	\$45,989	\$11
Special Revenue	14,500	2,981	11,519
Enterprise	7,500	8,425	(925)
Total	\$68,000	\$57,395	\$10,605

Contrary to the Ohio Revised Code, the following occurred, monies were used from restricted funds for purposes other than which the funds were established, local government monies and fines received from municipal court were not paid into the General fund, and proceeds from gasoline excise tax and motor vehicle tax fees were incorrectly allocated between the Street Construction Maintenance and Repair and the State Highway Improvement Funds.

4. Property Tax

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.

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

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

5. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio Villages ("Members"). The Plan was legally separate from its member Villages.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Risk Management (Continued)

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009,(the latest information available) and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

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

Village of Blakeslee
Williams County
227 Washington Street, P.O. Box 194
Blakeslee, Ohio 43505-0194

To the Village Council:

We have audited the financial statements of the Village of Blakeslee, Williams County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 26, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-006 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-004.

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 26, 2012.

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

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

September 26, 2012

**VILLAGE OF BLAKESLEE
WILLIAMS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2011-001

Noncompliance Citation – Material Weakness

Ohio Revised Code, § 5705.10, states that money paid into any fund shall be used only for the purposes for which such fund is established. The Williams County Commissioners levied a tax in accordance with **Ohio Revised Code, § 4504.02**, for the purpose of paying costs for planning, constructing, improving, maintaining and repairing public roads, highways, streets, bridges, and viaducts. The proceeds received from the County are placed into the Permissive Motor Vehicle License Tax Fund.

The following payments, recorded in the Permissive Motor Vehicle License Tax fund, were determined to be inconsistent with the purpose of this fund.

The Village's share of Municipal Court costs \$1,565 in 2010 and \$1,175 in 2011 which should have been paid from the General Fund.

Payments made to Allied Waste for monthly garbage pickup for November 2010, \$1,372 which should have been paid from the Garbage Fund.

A payment made to the United States Treasury for the taxes withheld of \$1,290 which should have paid from the General Fund

The Village has adjusted the accompanying financial statements and its accounting records to correct these errors.

We recommend Council and the Fiscal Officer perform a detailed review of each check and the supporting documentation including a review of funds charged before approving the disbursement and signing the check. If the initial account allocation of an expenditure is deemed incorrect, appropriate documentation should be maintained to support the reallocation of the expenditure.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-002

Noncompliance Citation – Material Weakness

Ohio Revised Code, §5747.51(J), require monies received into the treasury of a subdivision from the County's undivided local government fund and undivided local government revenue assistance fund to be paid into the general fund and used for the current operating expenses of the subdivision.

Local government and local government revenue assistance payments made to the Village in 2011 were incorrectly allocated to the Street Construction Maintenance and Repair fund (\$3,147), the State Highway Improvement fund (\$4,603), the Permissive Motor Vehicle License Tax fund (\$1,564) and the Garbage Operating fund (\$2,532) The General Fund should have received an additional \$11,846 in 2011.

The financial statements and accounting records have been adjusted to correct this misstatement. We recommend monies received from the County's undivided local government fund be paid into the Village's general fund and used for current operating expenses.

**FINDING NUMBER 2011-002
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-003

Noncompliance Citation – Material Weakness

Ohio Revised Code, §5503.04, states forty percent of fines collected from or money arising from bail forfeited by persons apprehended or arrested by state highway patrol troopers when prosecution occurs in a municipal court shall be paid into the municipal treasury to be credited to the general fund of the municipal corporation.

Fines received from the Bryan Municipal Court in 2010 were credited to the Street Construction Maintenance and Repair fund (\$313) and the Permissive Motor Vehicle License Tax Fund (\$154). These amounts should have been credited to the General fund.

The financial statements and accounting records have been adjusted to correct this misstatement.

We recommend all fines received from the Municipal Court be allocated to the General fund.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-004

Noncompliance Citation – Material Weakness

Ohio Revised Code, §5705.10 (D), requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Ohio Revised Code, §§ 5735.27 and 4501.04, restrict the purpose for which the gasoline excise tax and motor vehicle license tax monies may be expended. In addition, **Ohio Revised Code, § 5735.28**, states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133. of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

Proceeds from the gasoline excise tax and motor vehicle tax fees in the amount of \$282 were incorrectly allocated to the Street Construction Maintenance and Repair fund in 2010. These monies should have been allocated to the State Highway Improvement fund.

The financial statements and accounting records have been adjusted to correct these allocations.

We recommend that seven and one-half per cent of all gasoline excise tax and motor vehicle license tax monies be allocated to the State Highway Improvement fund. The remaining amounts should be placed into the Street Construction, Maintenance and Repair Fund.

**FINDING NUMBER 2011-004
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-005

Material Weakness - Financial Reporting

In addition to the errors noted in finding numbers 2011-001 through 2011-004 above, the following errors were noted in the financial statements that required audit adjustments:

1. Fines received from the Municipal Court, local government monies and miscellaneous revenues were recorded as "property and local taxes" and "special assessments" within the General fund on the financial statements. These amounts should have been recorded as "Intergovernmental" (\$3,372 in 2011 and \$2,036 in 2010), Fines, Licenses and Permits (\$276) and Miscellaneous (\$79) revenues within the General fund.
2. Amounts collected by the County Auditor for delinquent garbage fees (\$889) were recorded as "transfers-in" within Garbage Fund. These amounts should be recorded as "Charges for Services".
3. The salary for the Village Marshal was recorded as "General Government" Expenditures instead of "Security of Persons and Property" (\$1,588) within the General fund during 2010.

The financial statements have been adjusted to correct these errors.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Village Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2011-006

Material Weakness – Garbage Charges for Services

The Village has established a Garbage Fund to account for charges for services from residents to cover the cost of providing the collection of residents' garbage from an independent contractor.

Monthly payments Allied Waste for monthly garbage pickup for November 2010 in the amount of \$1,372, October 2011 through December 2011 in the amount of \$2,438 were made from the Permissive Motor Vehicle Tax and General Funds. The financial statements and Village accounting records have been adjusted to reflect the payments originally made from the Permissive Tax Fund, in the Garbage Fund

It is apparent garbage charges for services are not sufficient to support the expenditures since these payments are being recorded in other funds.

Council should review and adjust the amounts charged to provide for the cost of this service.

**FINDING NUMBER 2011-006
(Continued)**

Officials' Response:

In 2012, Council adopted an increase in the monthly customer charge for garbage service. Management anticipates this increase will eliminate cash flow issues.

VILLAGE OF BLAKESLEE
WILLIAMS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Significant Deficiency – Due to errors in financial reporting	No	Reissued as Finding 2011-005 in this report and changed to a material weakness.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF BLAKESLEE

WILLIAMS 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
OCTOBER 11, 2012