



Dave Yost • Auditor of State



VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Mount Blanchard  
Hancock County  
103 East Clay Street, P.O. Box 333  
Mount Blanchard, Ohio 45867-0333

To the Village Council:

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

We have audited the accompanying financial statements and related notes of the Village of Mount Blanchard, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion.

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

As described in Note 1B 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Mount Blanchard, Hancock County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years 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 1B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 20, 2014

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$37,072			\$37,072
Intergovernmental	26,703	\$18,780		45,483
Charges for Services		505		505
Fines, Licenses and Permits	30			30
Earnings on Investments	38	27		65
Miscellaneous	724			724
<i>Total Cash Receipts</i>	<u>64,567</u>	<u>19,312</u>		<u>83,879</u>
<b>Cash Disbursements</b>				
Current:				
Leisure Time Activities		4,053		4,053
Basic Utility Services	705			705
Transportation	3,992	16,258		20,250
General Government	60,726	1,500		62,226
Capital Outlay	920		\$3,300	4,220
<i>Total Cash Disbursements</i>	<u>66,343</u>	<u>21,811</u>	<u>3,300</u>	<u>91,454</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,776)</u>	<u>(2,499)</u>	<u>(3,300)</u>	<u>(7,575)</u>
<i>Fund Cash Balances, January 1</i>	<u>17,873</u>	<u>26,774</u>	<u>17,393</u>	<u>62,040</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		24,275	14,093	38,368
Unassigned	16,097			16,097
<i>Fund Cash Balances, December 31</i>	<u>\$16,097</u>	<u>\$24,275</u>	<u>\$14,093</u>	<u>\$54,465</u>

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$237,140</u>
<b>Operating Cash Disbursements</b>	
Personal Services	55,324
Employee Fringe Benefits	8,616
Contractual Services	29,751
Supplies and Materials	<u>18,186</u>
<i>Total Operating Cash Disbursements</i>	<u>111,877</u>
<i>Operating Income</i>	<u>125,263</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	1,878
Capital Outlay	(65,541)
Principal Retirement	(36,189)
Interest and Other Fiscal Charges	<u>(55,487)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(155,339)</u>
<i>Net Change in Fund Cash Balances</i>	(30,076)
<i>Fund Cash Balances, January 1</i>	<u>613,683</u>
<i>Fund Cash Balances, December 31</i>	<u>\$583,607</u>

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



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$37,628			\$37,628
Intergovernmental	34,915	\$33,656		68,571
Charges for Services		715		715
Fines, Licenses and Permits	55			55
Earnings on Investments	69	48		117
<i>Total Cash Receipts</i>	<u>72,667</u>	<u>34,419</u>		<u>107,086</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property		5,444		5,444
Public Health Services	221			221
Leisure Time Activities		11,635		11,635
Basic Utility Services	618			618
Transportation	4,685	15,372		20,057
General Government	63,277	774		64,051
Debt Service:				
Principal Retirement	1,112			1,112
Interest and Fiscal Charges	9			9
<i>Total Cash Disbursements</i>	<u>69,922</u>	<u>33,225</u>		<u>103,147</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,745</u>	<u>1,194</u>		<u>3,939</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		2,005		2,005
Transfers Out	(14,205)			(14,205)
Other Financing Sources	3,171			3,171
Other Financing Uses	(688)			(688)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(11,722)</u>	<u>2,005</u>		<u>(9,717)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,977)</u>	<u>3,199</u>		<u>(5,778)</u>
<i>Fund Cash Balances, January 1</i>	<u>26,850</u>	<u>23,575</u>	<u>\$17,393</u>	<u>67,818</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		26,774	17,393	44,167
Unassigned	17,873			17,873
<i>Fund Cash Balances, December 31</i>	<u>\$17,873</u>	<u>\$26,774</u>	<u>\$17,393</u>	<u>\$62,040</u>

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$243,875
<b>Operating Cash Disbursements</b>	
Personal Services	57,636
Employee Fringe Benefits	9,339
Contractual Services	32,211
Supplies and Materials	20,865
<i>Total Operating Cash Disbursements</i>	120,051
<i>Operating Income</i>	123,824
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	15,848
Other Debt Proceeds	165,367
Capital Outlay	(192,200)
Principal Retirement	(15,663)
Interest and Other Fiscal Charges	(53,817)
Other Financing Uses	(3,867)
<i>Total Non-Operating Receipts (Disbursements)</i>	(84,332)
<i>Income before Transfers</i>	39,492
Transfers In	12,200
<i>Net Change in Fund Cash Balances</i>	51,692
<i>Fund Cash Balances, January 1</i>	561,991
<i>Fund Cash Balances, December 31</i>	\$613,683

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Mount Blanchard, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts as needed with the Hancock County Sheriff's department to provide security of persons and property. Fire protection services are provided to the Village by Delaware Township.

The Village participates in Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 7 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue 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 Funds:

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

Park Recreation Fund – This fund receives shelter house rentals, grants, and general fund transfers to fund construction of the park

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Pool Replacement Fund – This fund has a balance remaining from a pool replacement project in prior years. The balance will be used for repairs and maintenance of the pool.

**4. 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 - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Tower Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance the installation of a new water tower and distribution systems improvements.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 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.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**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 governments; or is imposed by law through constitutional provisions.

VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

H. 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.

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 at December 31 was as follows:

	2013	2012
Demand deposits	<u>\$638,072</u>	<u>\$675,723</u>

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2012, \$100,788 of deposits were not insured or collateralized, contrary to Ohio law.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,781	\$64,567	(\$6,214)
Special Revenue	21,000	19,312	(1,688)
Enterprise	277,008	239,018	(37,990)
Total	<u>\$368,789</u>	<u>\$322,897</u>	<u>(\$45,892)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,608	\$66,851	\$35,757
Special Revenue	63,146	22,265	40,881
Capital Projects	10,000	3,300	6,700
Enterprise	389,188	271,065	118,123
Total	<u>\$564,942</u>	<u>\$363,481</u>	<u>\$201,461</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,887	\$75,838	(\$7,049)
Special Revenue	59,150	36,424	(22,726)
Enterprise	244,317	437,290	192,973
Total	<u>\$386,354</u>	<u>\$549,552</u>	<u>\$163,198</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,608	\$84,986	\$17,622
Special Revenue	65,707	33,304	32,403
Capital Projects	10,000	10,000	10,000
Enterprise	389,188	385,950	3,238
Total	<u>\$567,503</u>	<u>\$504,240</u>	<u>\$63,263</u>

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Parks and Recreation Fund by \$3,811 and \$9,162 for the years ended December 31, 2013 and 2012, respectively and the General; Street Construction, Maintenance, and Repair; Parks and Recreation; and Street Lighting Funds had total appropriations in excess of total estimated revenue for the year 2013. Also contrary to Ohio law, the Village posted revenues to the wrong fund.

**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.

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

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$1,119,000	4.125%
Ohio Water Development Authority Loan #4947	450,339	1.50%
Ohio Water Development Authority Loan #6612	1,879	
Ohio Public Works Commission Loan #1	3,609	
Ohio Public Works Commission Loan #2	159,855	
Total	<u>\$1,734,682</u>	

The Wastewater Treatment Plant and Collection System Mortgage Revenue bonds were entered into for the purpose of financing the installation of a sanitary sewer system project the Ohio Environmental Protection Agency mandated for the Village in 2010. The debt has 4.125% interest rate and is scheduled to be paid in full in 2050. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2013 is \$19,777.

The Ohio Water Development Authority (OWDA) loan #4947 relates to the planning of a sanitary sewer system project the Ohio Environmental Protection Agency mandated. The OWDA financed \$505,370 in loans and capitalized interest to the Village for this project at an interest rate of 1.5%. The Village will repay the loan in semiannual installments of \$10,491 including interest, over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan #6612 was entered into for the new water tower and distribution system improvements. The OWDA will finance up to \$538,324 to the Village for this project at an interest rate of 2%. The Village will repay the loan in semiannual installments over 30 years. Water tower receipts will collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. At December 31, 2013, the project was not complete and the amount outstanding was \$1,879, so is not included on the amortization schedule below.

The Ohio Public Works Commission (OPWC) loan #1 relates to a storm sewer replacement project.

The Ohio Public Works Commission (OPWC) loan #2 relates to the water meter installation project.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	USDA Mortgage Revenue Bonds	OWDA Loan #4947	OPWC Loan #1	OPWC Loan #2
2014	\$59,159	\$10,491	\$3,609	\$5,512
2015	59,622	20,981		5,513
2016	59,045	20,981		5,512
2017	59,467	20,981		5,513
2018	59,849	20,981		5,512
2019-2023	296,973	104,907		27,561
2024-2028	298,131	104,907		27,561
2029-2033	296,959	104,907		27,561
2034-2038	297,259	104,907		27,561
2039-2043	297,876	31,471		22,049
2044-2048	299,244			
2049-2050	118,971			
Total	<u>\$2,202,555</u>	<u>\$545,514</u>	<u>\$3,609</u>	<u>\$159,855</u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 governments ("Members"). The Plan is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 members' equity at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. INTERFUND TRANSFERS**

During 2012, the General Fund made transfers to the Street Construction, Maintenance, and Repair Fund for \$705, Parks and Recreation Fund for \$1,300, and the Swimming Pool Fund for \$12,200. These transfers were to subsidize current operations of these funds.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.

**10. SUBSEQUENT EVENTS**

The Village has been awarded a Neighborhood Revitalization Grant in the amount of \$300,000 and an additional grant of \$110,000 from other grant funding sources for a total of \$410,000. This project is to start in 2015.

On November 22, 2013, the Village entered into agreements for a 100,000 gallon water storage tank project which was completed in 2014 in the amount of \$601,658 and a waterline replacement project which is to start in 2014 in the amount of \$422,372.

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# Dave Yost • Auditor of State

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

Village of Mount Blanchard  
Hancock County  
103 East Clay Street, P.O. Box 333  
Mount Blanchard, Ohio 45867-0333

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 Village of Mount Blanchard, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2014 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 opinion 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 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-004 and 2013-005 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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-004.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 20, 2014

VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance Citation

**Ohio Rev. Code § 135.18** requires the treasurer, before making a deposit in a public depository, to require the institution to pledge eligible securities, as collateral, to adequately protect the public money deposited. Such collateral is to be deposited with the treasurer or with a qualified third party trustee.

The District's bank balance exceeded the amount insured by the Federal Deposit Insurance Corporation and the amount of specific collateral pledged at December 31, 2012 by \$100,788.

We recommend the Village obtain enough collateral to protect the Village's funds.

FINDING NUMBER 2013-002

Noncompliance Citation

**Ohio Rev. Code § 5705.39** provides the total appropriation from each fund should not exceed the total estimated revenue.

The following funds had total appropriations in excess of total estimated revenue for the year 2013 by the following amounts:

• General Fund	\$2,370
• Street Construction, Maintenance, and Repair Fund	36,586
• Parks and Recreation Fund	100
• Street Lighting Fund	5,444

We recommend before Council approves their annual appropriations and any subsequent modifications, they review the certificate of estimated resources to ensure the appropriation amounts do not exceed the estimates resource amounts.

FINDING NUMBER 2013-003

Noncompliance Citation

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision from making any expenditure of money unless it has been properly appropriated. The Village's 2013 and 2012 expenditures exceeded appropriations for the Parks and Recreation Fund by \$3,811 and \$9,162, respectively.

Failure to have adequate appropriations in place at the time the expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

We recommend the Fiscal Officer not certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2013-004**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10(C)** requires all revenue derived from a special levy to be credited to a special fund for the purpose for which the levy was made.

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

**Ohio Rev. Code § 5705.10(I)** further provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village made fund misclassifications as indicated below:

- The Village posted water receipts to the sewer fund in error in the amount of \$3,273 and \$1,474 in 2013 and 2012, respectively.
- The Village received delinquent utility revenues which were assessed on residents' property taxes. These funds were posted to the general fund instead of the following funds:

	2013	2012
Water Fund	\$137	\$471
Sewer Fund	989	1,781
Enterprise Improvement - Sewer Separation Fund	1,194	2,152
Enterprise Debt Service Reserve Fund	82	149

- Gas tax and motor vehicle registration fees were not properly distributed between the street construction, maintenance and repair fund and the state highway fund. In 2013, the state highway fund was short \$259 and in 2012, the street construction, maintenance and repair fund was short \$114.
- Pool replacement part paid out of the swimming pool fund instead of the capital project pool replacement fund in the amount of \$3,300 in 2013.
- The Village paid OWDA debt which was to be posted to the sewer fund, but was posted instead to the enterprise improvement – sewer separation fund in the following amounts:

	2013	2012
Principal	\$13,168	
Interest	3,483	\$3,535

This resulted in a misstatement of financial activity in the respective funds. Improper reporting of receipts and disbursements could cause management to draw inaccurate conclusions regarding its fiscal position.

Management has included audit adjustments in the accompanying financial statements and accounting records to correctly post this activity to the appropriate funds.

Financial activity should be properly reported in the accounting ledgers so management can better assess whether or not financial goals are being met on an ongoing basis. As part of the monitoring process, management should review its records to make sure all amounts are properly reflected in the appropriate funds.



### FINDING NUMBER 2013-005

#### Material Weakness – Monitoring Village Financial Activity

We identified various transactions, such as the following, which were improperly classified:

- Rollback and homestead revenues were posted as taxes instead of intergovernmental receipts in the general fund in the amounts of \$6,432 and \$3,154 in 2013 and 2012, respectively.
- Refund of real estate taxes paid by the Village was posted to tax revenue instead of other financing sources in the general fund in the amount of \$3,171 in 2012.
- Tax revenues were posted at the net amount instead of the gross amount. Tax revenues and general government were increased in the general fund in the amount of \$2,858 and \$3,237 in 2013 and 2012, respectively.
- Park grant was posted as miscellaneous revenue instead of intergovernmental revenue in the special revenue funds in 2012 in the amount of \$15,000.
- Utility revenues were posted as capital contributions instead of charges for services in the debt service reserve fund in the amounts of \$5,132 and \$5,144 in 2013 and 2012, respectively.
- Debt interest payment was posted as capital outlay instead of interest in the enterprise funds in the amount of \$2,559 in 2012.
- Debt principal was posted as other financing uses in the enterprise funds in the amount of \$2,121 in 2013.
- In 2012, the Village received an OPWC loan and grant paid directly to the vendor and the Village did not record the amount on the books. Loan proceeds and capital outlay was increased in the enterprise funds in the amount of \$165,367 for the loan portion. Intergovernmental revenue and capital outlay was increased in the enterprise funds in the amount of \$15,848 for the grant portion.
- Engineering cost of the new water tower was posted as other contractual services in the enterprise funds instead of capital outlay in the amount of \$64,583 in 2013.
- In 2013, loan proceeds and fiscal charges were added to the enterprise funds to account for the loan fees on the new water tower in the amount of \$1,878.
- Insurance and payments to the state were posted as community environment instead of general government in the general fund in the amounts of \$4,944 and \$4,833 in 2013 and 2012, respectively.

The financial statements have been adjusted to reflect these reclassifications.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council 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 financial statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State and Council adopt procedures for reviewing the financial statements for accuracy.

#### Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code § 135.18 for bank balances in excess of collateral pledged.	No	Not corrected and reissued as Finding 2013-001 in this report.
2011-002	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	No	Not corrected and reissued as Finding 2013-003 in this report.
2011-003	Ohio Rev. Code § 5705.41(D)(1) for lack of certification of funds.	Partially Corrected	Partially corrected and reissued in the management letter.
2011-004	Material weakness due to lack of monitoring of financial activity.	No	Not corrected and reissued as Finding 2013-005 in this report.



# Dave Yost • Auditor of State

**VILLAGE OF MOUNT BLANCHARD**

**HANCOCK 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  
DECEMBER 9, 2014**