



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2019	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2019	4
Notes to the Financial Statements For the Year Ended December 31, 2019	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2018	14
Notes to the Financial Statements For the Year Ended December 31, 2018	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Summary Schedule of Prior Audit Findings (Prepared by Management).....	27

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Blanchard, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Blanchard, Hancock County, Ohio as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 11 to the 2019 and 10 to the 2018 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 26, 2020

Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$36,019	\$10,439		\$46,458
Municipal Income Tax	12,282			12,282
Intergovernmental	32,739	92,258	\$20,000	144,997
Special Assessments		5,883	8,824	14,707
Charges for Services	446	25,736		26,182
Fines, Licenses and Permits	575			575
Earnings on Investments	4,607	84		4,691
Miscellaneous	5,020	1,688	3,285	9,993
<i>Total Cash Receipts</i>	<u>91,688</u>	<u>136,088</u>	<u>32,109</u>	<u>259,885</u>
Cash Disbursements				
Current:				
Security of Persons and Property		7,169		7,169
Leisure Time Activities		73,557	8,642	82,199
Basic Utility Services	1,291			1,291
Transportation	53	15,085		15,138
General Government	60,779	8,109	14	68,902
Capital Outlay			2,828	2,828
Debt Service:				
Principal Retirement	1,203			1,203
Interest and Fiscal Charges	94			94
<i>Total Cash Disbursements</i>	<u>63,420</u>	<u>103,920</u>	<u>11,484</u>	<u>178,824</u>
<i>Excess of Receipts Over Disbursements</i>	<u>28,268</u>	<u>32,168</u>	<u>20,625</u>	<u>81,061</u>
Other Financing Receipts (Disbursements)				
Transfers In		6,000		6,000
Transfers Out	(6,000)			(6,000)
Other Financing Sources		70		70
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,000)</u>	<u>6,070</u>		<u>70</u>
<i>Net Change in Fund Cash Balances</i>	22,268	38,238	20,625	81,131
<i>Fund Cash Balances, January 1</i>	<u>5,701</u>	<u>91,930</u>	<u>39,779</u>	<u>137,410</u>
Fund Cash Balances, December 31				
Restricted		130,168	60,404	190,572
Assigned	3,119			3,119
Unassigned (Deficit)	24,850			24,850
<i>Fund Cash Balances, December 31</i>	<u>\$27,969</u>	<u>\$130,168</u>	<u>\$60,404</u>	<u>\$218,541</u>

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2019

	Enterprise
Operating Cash Receipts	
Charges for Services	\$234,670
Operating Cash Disbursements	
Personal Services	58,017
Employee Fringe Benefits	8,410
Contractual Services	20,767
Supplies and Materials	10,015
<i>Total Operating Cash Disbursements</i>	97,209
<i>Operating Income</i>	137,461
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	3
Principal Retirement	(56,077)
Interest and Other Fiscal Charges	(56,970)
<i>Total Non-Operating Receipts (Disbursements)</i>	(113,044)
<i>Income before Transfers</i>	24,417
Transfers In	15,442
Transfers Out	(15,442)
<i>Net Change in Fund Cash Balances</i>	24,417
<i>Fund Cash Balances, January 1</i>	553,324
<i>Fund Cash Balances, December 31</i>	\$577,741

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Mount Blanchard (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts 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.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Recreation Fund The park recreation fund accounts for and reports levy monies, charges for services, grants, donations and general fund transfers that are restricted for the construction, maintenance, and repair of the parks.

Heart & Soul Fund This fund accounts for and reports the Heart & Soul grant revenues received from the Hancock County Community Foundation that are restricted for the execution of the grant agreement.

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Park Grant Fund This fund receives grants for the construction, maintenance, and repair of the parks.

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, the Village posted property taxes and intergovernmental revenues in the General Fund instead of the Recreation Fund in the amount of \$4,937 for the year ended December 31, 2019.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,026	\$91,688	\$20,662
Special Revenue	92,824	142,158	49,334
Capital Projects	37,268	32,109	(5,159)
Enterprise	255,809	250,115	(5,694)
Total	\$456,927	\$516,070	\$59,143

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,056	\$72,539	\$4,517
Special Revenue	173,598	120,204	53,394
Capital Projects	50,779	11,484	39,295
Enterprise	529,048	242,173	286,875
Total	\$830,481	\$446,400	\$384,081

Note 5 – Deposits and Investments

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

	2019
Demand deposits	\$234,427
Certificates of deposit	205,537
Other time deposits (savings and NOW accounts)	356,318
Total deposits	\$796,282

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	(11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$1,031,000	4.13%
Ohio Water Development Authority Loan #4947	369,093	1.50%
Ohio Water Development Authority Loan #6612	380,542	2.00%
Ohio Public Works Commission Loan #CM24N	124,025	0.00%
Truck Loan #3649	5,331	5.75%
Total	<u>\$1,909,991</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 bond. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

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, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Ohio Water Development Authority (OWDA) loan #6612 was entered into for a new water tower and distribution system improvements. The OWDA financed \$436,454 in loan and capitalized interest to the Village for this project at an interest rate of 2%. The Village will repay the loan in semiannual installments of \$9,709, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CM24N relates to the water meter installation project. The OPWC financed \$165,367 in loan to the Village for this project with no interest. The Village will repay the loan in semiannual installments of \$2,756 over 30 years.

The Village entered into a loan with a local bank in the amount of \$18,506 for the purchase of a truck for Village use. The Village will repay the loan in monthly installments of \$433, including interest, over 4 years. The vehicle collateralizes the loan.

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue Bond	OWDA Loan #4947	OWDA Loan #6612	OPWC Loan #CM24N	Truck Loan #3649
2020	\$59,529	\$20,981	\$19,417	\$2,756	\$5,198
2021	59,828	20,981	19,417	5,512	314
2022	59,085	20,981	19,417	5,512	
2023	59,343	20,981	19,417	5,513	
2024	59,559	20,981	19,417	5,512	
2025-2029	297,635	104,907	97,087	27,561	
2030-2034	297,514	104,907	97,087	27,561	
2035-2039	297,576	104,907	97,087	27,561	
2040-2044	297,668	10,491	97,087	16,537	
2045-2049	299,138				
2050	59,351				
Total	<u>\$1,846,226</u>	<u>\$430,117</u>	<u>\$485,433</u>	<u>\$124,025</u>	<u>\$5,512</u>

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$36,980	\$10,435		\$47,415
Intergovernmental	35,049	75,453	\$9,929	120,431
Special Assessments		5,927	8,887	14,814
Charges for Services	1,394	25,149		26,543
Fines, Licenses and Permits	45			45
Earnings on Investments	1,985	149		2,134
Miscellaneous	3,557			3,557
<i>Total Cash Receipts</i>	<u>79,010</u>	<u>117,113</u>	<u>18,816</u>	<u>214,939</u>
Cash Disbursements				
Current:				
Security of Persons and Property		10,881		10,881
Public Health Services	325			325
Leisure Time Activities		91,537	11,087	102,624
Basic Utility Services	1,003			1,003
Transportation	202	10,299		10,501
General Government	79,957	2,584		82,541
Capital Outlay			338	338
Debt Service:				
Principal Retirement	2,887			2,887
Interest and Fiscal Charges	219			219
<i>Total Cash Disbursements</i>	<u>84,593</u>	<u>115,301</u>	<u>11,425</u>	<u>211,319</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,583)</u>	<u>1,812</u>	<u>7,391</u>	<u>3,620</u>
Other Financing Receipts (Disbursements)				
Transfers In		1,200		1,200
Transfers Out	(1,200)			(1,200)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,200)</u>	<u>1,200</u>		
<i>Net Change in Fund Cash Balances</i>	(6,783)	3,012	7,391	3,620
<i>Fund Cash Balances, January 1</i>	<u>12,484</u>	<u>88,918</u>	<u>32,388</u>	<u>133,790</u>
Fund Cash Balances, December 31				
Restricted		91,930	39,779	131,709
Assigned	5,701			5,701
<i>Fund Cash Balances, December 31</i>	<u>\$5,701</u>	<u>\$91,930</u>	<u>\$39,779</u>	<u>\$137,410</u>

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	Enterprise
Operating Cash Receipts	
Charges for Services	\$239,001
Operating Cash Disbursements	
Personal Services	39,828
Employee Fringe Benefits	5,668
Contractual Services	27,987
Supplies and Materials	16,151
<i>Total Operating Cash Disbursements</i>	89,634
<i>Operating Income</i>	149,367
Non-Operating Receipts (Disbursements)	
Intergovernmental	49
Capital Outlay	(11,795)
Principal Retirement	(59,058)
Interest and Other Fiscal Charges	(58,351)
<i>Total Non-Operating Receipts (Disbursements)</i>	(129,155)
<i>Net Change in Fund Cash Balances</i>	20,212
<i>Fund Cash Balances, January 1</i>	533,112
<i>Fund Cash Balances, December 31</i>	\$553,324

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Mount Blanchard (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts 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.

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 6 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Recreation Fund The park recreation fund accounts for and reports levy monies, charges for services, grants, donations and general fund transfers that are restricted for the construction, maintenance, and repair of the parks.

Heart & Soul Fund This fund accounts for and reports the Heart & Soul grant revenues received from the Hancock County Community Foundation that are restricted for the execution of the grant agreement.

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Park Grant Fund This fund receives grants for the construction, maintenance, and repair of the parks.

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

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

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

A summary of 2018 budgetary activity appears in Note 3.

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.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,730	\$79,010	\$8,280
Special Revenue	255,500	118,313	(137,187)
Capital Projects		18,816	18,816
Enterprise	231,000	239,050	8,050
Total	\$557,230	\$455,189	(\$102,041)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,124	\$86,892	\$4,232
Special Revenue	244,213	118,675	125,538
Capital Projects	32,388	12,425	19,963
Enterprise	570,699	226,769	343,930
Total	\$938,424	\$444,761	\$493,663

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$208,083
Certificates of deposit	202,641
Other time deposits (savings and NOW accounts)	280,010
Total deposits	\$690,734

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Taxes

Property Taxes

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

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$1,047,000	4.13%
Ohio Water Development Authority Loan #4947	384,366	1.50%
Ohio Water Development Authority Loan #6612	392,174	2.00%
Ohio Public Works Commission Loan #CM24N	132,294	0.00%
Truck Loan #3171	1,282	5.07%
Truck Loan #3649	10,067	5.75%
Total	<u>\$1,967,183</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 bond. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

The Ohio Water Development Authority (OWDA) loan #6612 was entered into for a new water tower and distribution system improvements. The OWDA financed \$436,454 in loan and capitalized interest to the Village for this project at an interest rate of 2%. The Village will repay the loan in semiannual installments of \$9,709, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CM24N relates to the water meter installation project. The OPWC financed \$165,367 in loan to the Village for this project with no interest. The Village will repay the loan in semiannual installments of \$2,756 over 30 years.

The Village entered into two loans with a local bank in the amounts of \$34,271 and \$18,506 for the purchase of trucks for Village use. The Village will repay the loans in monthly installments of \$791 and \$433, respectively, including interest, over 5 and 4 years, respectively. The vehicle collateralizes the second loan.

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue Bond	OWDA Loan #4947	OWDA Loan #6612	OPWC Loan #CM24N	Truck Loan #3171	Truck Loan #3649
2019	\$59,189	\$20,981	\$19,417	\$5,513	\$1,290	\$5,197
2020	59,529	20,981	19,417	5,512		5,198
2021	59,828	20,981	19,417	5,512		314
2022	59,085	20,981	19,417	5,512		
2023	59,343	20,981	19,417	5,513		
2024-2028	298,131	104,907	97,087	27,561		
2029-2033	296,959	104,907	97,087	27,561		
2034-2038	297,259	104,907	97,087	27,561		
2039-2043	297,876	31,472	97,087	22,049		
2044-2048	299,244		19,417			
2049-2050	118,971					
Total	<u>\$1,905,414</u>	<u>\$451,098</u>	<u>\$504,850</u>	<u>\$132,294</u>	<u>\$1,290</u>	<u>\$10,709</u>

Note 10 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**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 cash balances, receipts, and disbursements by fund type of the Village of Mount Blanchard, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 26, 2020 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 26, 2020

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were noted in the accompanying 2019 and 2018 financial statements:

- In 2019, the Village posted \$8,074 of intergovernmental revenues as property taxes in the General Fund.
- In 2018, the Village posted \$5,879 as discount on debt that should have been posted as principal retirement and interest and fiscal charges in the amounts of \$1,373 and \$4,506, respectively, in the Enterprise Funds.
- In 2019 and 2018, adjustments were posted ranging in amounts from \$627 to \$16,393 to properly reflect pool activity in the Special Revenue Funds rather than Enterprise Funds.
- In 2018, fund balance was improperly classified as unassigned instead of assigned in the General Fund in the amount of \$5,701.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to Council making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these errors. Additional errors were identified in smaller relative amounts for additional reasons.

To help 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 and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook, Uniform Accounting Network (UAN) Manual, and Audit Bulletin 2011-004 for information on GASB Statement No. 54.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that 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.

Due to deficiencies in controls over the posting of transactions, in 2019, the Village inappropriately recorded \$4,937 of property tax and rollback/homestead revenue in the General Fund. Given the source of the revenue, this should have been recorded in the Recreation Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for financial reporting due to material audit adjustments.	Not corrected and repeated as finding 2019-001 in this report.	The Fiscal Officer did not make the correction after prior audit but will review the errors and the proper procedures and make corrections in the future.
2017-002	Noncompliance with Ohio Rev. Code § 5705.10(D) and material weakness due to the posting of revenues to the wrong fund.	Not corrected and repeated as finding 2019-002 in this report.	The Fiscal Officer did not make the correction after prior audit but will review the errors and the proper procedures and make corrections in the future.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MOUNT BLANCHARD

HANCOCK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/15/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov