



**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

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# Mary Taylor, CPA

Auditor of State

Blanchard River Enhancement Project  
Hancock County  
322 South Main Street  
Findlay, Ohio 45840-3345

To the Joint Board of County Commissioners:

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

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**Mary Taylor, CPA**  
Auditor of State

July 9, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Blanchard River Enhancement Project  
Hancock County  
322 South Main Street  
Findlay, Ohio 45840-3345

To the Joint Board of County Commissioners:

We have audited the accompanying financial statements of Blanchard River Enhancement Project, Hancock County, (the Project) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Project as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Blanchard River Enhancement Project, Hancock County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Project has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2007, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

July 9, 2007



**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Capital Project</u>
<b>Cash Receipts:</b>	
Special Assessments	\$201
<b>Cash Disbursements:</b>	
Capital Outlay	<u>27,675</u>
Cash Disbursements Over Cash Receipts	(27,474)
Fund Cash Balance, January 1	<u>66,330</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$38,856</u></u></b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Capital Project</u>
<b>Cash Receipts:</b>	
Special Assessments	\$490
<b>Cash Disbursements:</b>	
Capital Outlay	<u>37,024</u>
Cash Disbursements over Cash Receipts	(36,534)
Fund Cash Balance, January 1	<u>102,864</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>66,330</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$16,150</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Blanchard River Enhancement Project (the Project) is a body corporate and political established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Project is directed by the County Commissioners of Hancock, Putnam, Allen, Wyandot, and Seneca Counties. The Hancock County Commissioners are designated as the contracting agency for all contracts regarding the construction project. The Project consists of removing log jams from the Blanchard River.

The Project's management believes these financial statements present all activities for which the Project 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 Project 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. Fund Accounting**

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

**Capital Project Fund**

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

Blanchard River Maintenance Fund – Receives proceeds of special assessments paid by property owners. The proceeds are being used to provide continuing maintenance to the Blanchard River.

**D. Budgetary Process**

As a "District Authority", the Blanchard River Enhancement Project is only required to comply with the budgetary laws included in Ohio Revised § 5705.41.

**1. 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 Commissioners must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**BLANCHARD RIVER ENHANCEMENT PROJECT  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**2. Encumbrances**

The Ohio Revised Code requires the Project 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 2006 and 2005 budgetary activity appears in Note 3.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Hancock County Auditor acts as the fiscal agent for the Project and the County Treasurer maintains a cash and investment pool used by all funds of the County, including those of the Project. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount on the County Auditor's records of the Project's fund balance was \$38,856 at December 31, 2006 and \$66,330 at December 31, 2005. The Hancock County Treasurer is responsible for maintaining adequate depository collateral for all funds in Hancock County's deposit accounts.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Capital Projects	\$48,150	\$27,675	\$20,475

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Capital Projects	\$57,000	\$53,174	\$3,826



# Mary Taylor, CPA

Auditor of State

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

Blanchard River Enhancement Project  
Hancock County  
322 South Main Street  
Findlay, Ohio 45840-3345

To the Joint Board of County Commissioners:

We have audited the financial statements of the Blanchard River Enhancement Project, Hancock County, (the Project) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 9, 2007, wherein we noted the Project followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Project's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Project's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Project's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Project's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Project's management in a separate letter dated July 9, 2007.

We intend this report solely for the information and use of the audit committee, management and the Joint Board of County Commissioners. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 9, 2007



**Mary Taylor, CPA**  
Auditor of State

**BLANCHARD RIVER ENHANCEMENT PROJECT**

**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  
AUGUST 9, 2007**