



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY

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Mary Taylor, CPA  
Auditor of State

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

To the Village Council:

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

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**Mary Taylor, CPA**  
Auditor of State

July 8, 2009

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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 the accompanying financial statements of the Village of Mount Blanchard, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Mount Blanchard, Hancock County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 8, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

July 8, 2009



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$32,918			\$32,918
Intergovernmental	54,177	\$52,539		106,716
Special Assessments		472		472
Charges for Services		17,533		17,533
Earnings on Investments	2,394	1,094		3,488
Miscellaneous	400	4,320		4,720
Total Cash Receipts	<u>89,889</u>	<u>75,958</u>		<u>165,847</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property		5,598		5,598
Leisure Time Activities		75,391	\$1,556	76,947
Community Environment	5,080			5,080
Basic Utility Service	2,964			2,964
Transportation		47,264		47,264
General Government	57,347			57,347
Debt Service	4,545			4,545
Capital Outlay	1,692			1,692
Total Cash Disbursements	<u>71,628</u>	<u>128,253</u>	<u>1,556</u>	<u>201,437</u>
Total Receipts Over/(Under) Disbursements	<u>18,261</u>	<u>(52,295)</u>	<u>(1,556)</u>	<u>(35,590)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		33,500		33,500
Transfers-Out	<u>(33,500)</u>			<u>(33,500)</u>
Total Other Financing Receipts / (Disbursements)	<u>(33,500)</u>	<u>33,500</u>		
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(15,239)	(18,795)	(1,556)	(35,590)
Fund Cash Balances, January 1	<u>42,547</u>	<u>61,582</u>	<u>22,652</u>	<u>126,781</u>
Fund Cash Balances, December 31	<u>\$27,308</u>	<u>\$42,787</u>	<u>\$21,096</u>	<u>\$91,191</u>
Reserve for Encumbrances, December 31	<u>\$2,032</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,032</u>

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$117,268
Miscellaneous	2,204
Total Operating Cash Receipts	119,472
<b>Operating Cash Disbursements:</b>	
Personal Services	33,690
Contractual Services	17,045
Supplies and Materials	15,604
Total Operating Cash Disbursements	66,339
Operating Income	53,133
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	2,288
Intergovernmental	493,114
Other Debt Proceeds	330,031
Total Non-Operating Cash Receipts	825,433
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	432,766
Debt Service	321,573
Total Non-Operating Cash Disbursements	754,339
Net Receipts Over Disbursements	124,227
Fund Cash Balances, January 1	276,997
Fund Cash Balances, December 31	401,224
Reserve for Encumbrances, December 31	\$236,334

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$35,463			\$35,463
Intergovernmental	60,625	\$22,027		82,652
Special Assessments		8,074		8,074
Charges for Services		18,997		18,997
Fines, Licenses and Permits	60			60
Earnings on Investments	8,776	3,099		11,875
Miscellaneous	8,348			8,348
Total Cash Receipts	<u>113,272</u>	<u>52,197</u>		<u>165,469</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property		5,504		5,504
Public Health Services	994			994
Leisure Time Activities		32,803		32,803
Community Environment	2,375			2,375
Basic Utility Service	5,005			5,005
Transportation		26,396		26,396
General Government	106,385			106,385
Debt Service	3,433			3,433
Capital Outlay	28,321			28,321
Total Cash Disbursements	<u>146,513</u>	<u>64,703</u>		<u>211,216</u>
Total Disbursements Over Receipts	<u>(33,241)</u>	<u>(12,506)</u>		<u>(45,747)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
<b>Proceeds from Sale of Public Debt:</b>				
Other Debt Proceeds	20,000			20,000
Transfers-In		10,000		10,000
Transfers-Out	(10,000)			(10,000)
Total Other Financing Receipts / (Disbursements)	<u>10,000</u>	<u>10,000</u>		<u>20,000</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(23,241)	(2,506)		(25,747)
Fund Cash Balances, January 1	<u>65,788</u>	<u>64,088</u>	<u>\$22,652</u>	<u>152,528</u>
Fund Cash Balances, December 31	<u>\$42,547</u>	<u>\$61,582</u>	<u>\$22,652</u>	<u>\$126,781</u>

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$116,265
Miscellaneous	169
Total Operating Cash Receipts	116,434
<b>Operating Cash Disbursements:</b>	
Personal Services	29,126
Contractual Services	9,593
Supplies and Materials	14,158
Total Operating Cash Disbursements	52,877
Operating Income	63,557
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	2,340
Intergovernmental	372
Total Non-Operating Cash Receipts	2,712
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	27,949
Net Receipts Over Disbursements	38,320
Fund Cash Balances, January 1	238,677
Fund Cash Balances, December 31	\$276,997

*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, 2008 AND 2007**

**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 utilities and pool and park operations. The Village is in the process of installing a sanitary sewer system. 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 the Ohio Government Risk Management Plan, 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. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**Park Fund** – This fund receives charges for services from users, grants and general fund transfers to fund park operations.

**Federal Emergency Management Assistance Fund** – This fund received a public assistant grant to help the Village with the cost of the cleanup and losses from the 2007 flood.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). 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 loan proceeds from OWDA and money from residents to help fund the installation of a sewer system.

**Sewer Separation Improvement Fund** - This fund receives loan proceeds from the Ohio Water Development Authority to finance the installation of a sewer system.

**D. Budgetary Process**

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

**1. Appropriations**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**E. 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.

**F. 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:

	<b>2008</b>	<b>2007</b>
Demand deposits	\$492,415	\$403,778

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

**2008 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 94,581	\$ 89,889	(\$ 4,692)
Special Revenue	103,064	109,458	6,394
Enterprise	88,760	944,905	856,145
Total	\$286,405	\$1,144,252	\$857,847

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 145,483	\$ 107,160	\$ 38,323
Special Revenue	159,461	128,253	31,208
Capital Projects	22,652	1,556	21,096
Enterprise	855,867	1,057,012	(201,145)
Total	\$1,183,463	\$1,293,981	(\$110,518)

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$144,308	\$133,272	(\$11,036)
Special Revenue	78,194	62,197	(15,997)
Enterprise	88,773	119,146	30,373
Total	\$311,275	\$314,615	\$ 3,340

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$174,075	\$156,513	\$ 17,562
Special Revenue	95,601	64,703	30,898
Capital Projects	20,000		20,000
Enterprise	181,490	80,826	100,664
Total	<u>\$471,166</u>	<u>\$302,042</u>	<u>\$169,124</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Operating Fund by \$13,713 for the year ended December 31, 2007 and in the Sewer Operating and Sewer Separation Improvement funds by \$240,910 and \$86,915, respectively for the year ended December 31, 2008.

Contrary to Ohio law, appropriations exceeded estimated resources in the General, Street Construction Maintenance and Repair, Parks and Recreation, and Sewer Separation Improvement funds by \$425, \$9,255, \$6,177, and \$562,067, respectively for the year ended December 31, 2008.

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan #4947	\$321,087	1.5%
Ohio Water Development Authority Loan #4948	16,055	2.63%
Ohio Public Works Commission	19,848	0%
Bank Loan	13,587	4.99%
Total	<u>\$370,577</u>	



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan #4948 relates to the installation of a sanitary sewer system project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,132,236 in loans to the Village for this project at an interest rate of 2.63%. The Village will repay the loans with money from the USDA. As of December 31, 2008, amounts drawn down plus capitalized interest amounts to \$16,055. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization schedule for this loan will not be available until the project is complete.

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 approved up to \$502,153 in loans to the Village for this project at an interest rate of 1.5%. The Village will repay the loans with money from the sewer fund. As of December 31, 2008, amounts drawn down plus capitalized interest amounts to \$321,087. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization schedule for this loan will not be available until the project is complete.

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

The Village entered into a bank loan for the purchase of the former township building in the amount of \$20,000 at an interest rate of 4.99%. Payments are made from the Village's General Fund to retire this loan.

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

<u>Year ending December 31:</u>	<u>OPWC</u>	<u>Bank Loan</u>
2009	\$ 1,804	\$ 4,545
2010	3,609	4,545
2011	3,609	4,545
2012	3,609	1,078
2013	3,609	
2014	3,608	
Total	\$19,848	\$14,713

**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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$ 6,862,902</u>	<u>\$6,290,528</u>

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

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.



# 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*

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 the financial statements of the Village of Mount Blanchard, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 8, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Village'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 Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider items 2008-001 and 2008-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

**Internal Control over Financial Reporting  
(Continued)**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 8, 2009.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 8, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

July 8, 2009

VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Noncompliance Citation and Material Weakness**

**Ohio Revised Code § 5705.10** requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Furthermore, this code section requires all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In 2007, the Village received \$3,762 in special assessment for the purpose of street lights was posted to the General Fund instead of to the Street Lighting Fund. The Administrator's salary amounting to \$1,372 was posted to the Street Construction, Maintenance, and Repair Fund instead of to the Sewer Fund as approved by Council. The Village received \$2,681 in levy monies for the purpose of water and repair maintenance which was posted to the General Fund and Water Fund instead of to the Water Repair and Maintenance Fund. The Village received \$473 in delinquent utility revenues from the County Auditor that were posted to the General Fund and Water fund instead of to the Water Fund (\$198), Sewer Fund (\$234) and Tower Fund (\$41).

In 2008, the Village received \$2,802 in levy monies for the purpose of water and repair maintenance which was posted to the General Fund and Water Fund instead of to the Water Repair and Maintenance Fund. The Village received \$228 in delinquent utility revenues from the County Auditor that were posted to the Water Fund instead of to the Sewer Operating Fund (\$193) and the Tower Replacement Fund (\$35). On January 1, 2008, the Village closed the Water Repair and Maintenance Fund into the Water Fund. Since this is levy monies for the purpose of water repair and maintenance, the \$3,321 must remain as a separate fund and the moneys cannot be commingled in the Water Fund.

These errors resulted in a misstatement of financial activity in the respective funds. Improper reporting of revenue and expenses could cause management to draw inaccurate conclusions regarding its fiscal position. Management has included audit adjustments in the accompanying financial statements and on the Village's accounting system to correctly post these revenues and expenses to the applicable 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 2008-002

**Noncompliance Citation**

**Ohio Revised Code § 5705.39** provides appropriations from each fund shall not exceed estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources.

The Village appropriations exceeded estimated resources certified as available by the budget commission in the following funds at December 31, 2008:

**FINDING NUMBER 2008-002  
(Continued)**

<u>December 31, 2008</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$145,058	\$145,483	(\$ 425)
Street Construction, Maintenance, and Repair	39,486	48,741	(9,255)
Parks and Recreation Fund	45,323	51,500	(6,177)
Sewer Separation Improvement Fund		562,067	(562,067)

In December 2008, Council approved an amendment to estimated revenue and the Fiscal Officer posted these amounts to the books; however, no amended certificate of estimated revenue was obtained from the County Budget Commission. The Fiscal Officer should be posting budgeted figures from the approved appropriations and the amended official certificate of estimated resources. This will give Council accurate budgetary information for monitoring. We recommend the Fiscal Officer obtain an amended official certificate of estimated resources, as needed from the County Budget Commission. We also recommend that no appropriation measure be adopted until a certificate of estimated resources has been obtained from the county auditor.

**FINDING NUMBER 2008-003**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(B)** states no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The following funds were found to have expenditures in excess of appropriations at year end:

<u>December 31, 2008</u>	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Amount of Expenditures over Appropriations</u>
Sewer Operating Fund	\$113,440	\$354,350	(\$240,910)
Sewer Separation Improvement Fund	562,067	648,982	(86,915)
<u>December 31, 2007</u>			
Sewer Operating Fund	32,940	46,653	(13,713)

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Village incurring a deficit spending situation. The Fiscal Officer should not certify the availability of funds and should 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 2008-004**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)(1)** states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2008-004  
(Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village practice of certification of funds was using the "Then and Now" certification. In October, 2008 the Village went to the UAN system, from October through December 2008 none of the transactions tested were signed as certified by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$238,366 in outstanding purchase commitments as of December 31, 2008, that were not certified at year end. The accompanying budgetary presentations and financial statements have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the General Fund and Sewer Separation Improvement Fund.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer and recorded against appropriations.

### FINDING NUMBER 2008-005

#### Material Weakness – Monitoring Village Financial Activity

The small size of the Village's staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. It is therefore important Village Council (or other committee) monitor financial activity closely. Errors were noted in the posting of revenues and expenditures to the financial statements that required fifty-two audit reclassifications and adjustments ranging in amounts \$23 to \$532,185 including:

- Outstanding purchase commitments of \$238,366 as of December 31, 2008 that were not certified at year end. The accompanying budgetary presentations and financial statements have been adjusted to reflect these amounts as outstanding encumbrances at year end in the General and Enterprise Funds, by the amount of \$2,032 and \$236,334, respectively.
- In 2008, the Village refinanced two OWDA loans in the amount of \$317,964, but did not show the activity of paying off old loans and obtaining new loans on the Village's books.
- For 2008, the Sewer Separation and FEMA funds were reported as capital projects funds instead of as enterprise and special revenue funds, respectively.

To help ensure the financial position of the funds presented to Village Council 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. Further, Council should adopt procedures where it (or other committees) reviews the financial statements for accuracy.
- Obligations due at year-end and not paid should be encumbered on the Village's accounting system and shown as a reserve for encumbrance on the annual report.
- When the Village refinances debt, they should show the activity of paying off old debt and obtaining new debt on the Village's books.

#### Clients 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, 2008 AND 2007**

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>
2006-001	ORC § 5705.10 incorrect receipts postings and negative fund balances	No	Not corrected. Reissued as finding 2008-001.
2006-002	ORC § 5705.41(B) Expenditures exceeding appropriations	No	Not corrected. Reissued as finding 2008-003.
2006-003	Material Weakness – Monitoring Village Financial Reporting	No	Not corrected. Reissued as finding 2008-005.
2006-004	Material Weakness – Expenditures Weaknesses	No	Partially corrected. Reduced to management letter comment.





Mary Taylor, CPA  
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  
AUGUST 6, 2009