



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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 21, 2010

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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 Village of Mount Blanchard, Hancock County, (the Village) as of and for the year ended December 31, 2009. 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 year ended December 31, 2009 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, 2009, or its changes in financial position or cash flows, where applicable for the year 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 Village of Mount Blanchard, Hancock County, as of December 31, 2009, and its combined cash receipts and disbursements for the year 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 21, 2010, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

July 21, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$36,142			\$36,142
Intergovernmental	52,311	\$36,095		88,406
Charges for Services		740		740
Fines, Licenses and Permits	15			15
Earnings on Investments	1,191	492		1,683
	<u>89,659</u>	<u>37,327</u>		<u>126,986</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,972	5,538		7,510
Public Health Services	1,369			1,369
Leisure Time Activities	4,072	16,656		20,728
Community Environment	2,000			2,000
Basic Utility Service	2,993			2,993
Transportation	2,923	17,772		20,695
General Government	63,939	1,176		65,115
Debt Service:				
Redemption of Principal	3,950			3,950
Interest and Fiscal Charges	595			595
Capital Outlay	2,663	2,500		5,163
	<u>86,476</u>	<u>43,642</u>		<u>130,118</u>
Total Receipts Over/(Under) Disbursements	<u>3,183</u>	<u>(6,315)</u>		<u>(3,132)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		4,500		4,500
Transfers-Out	(14,725)			(14,725)
Other Financing Uses	(1,500)			(1,500)
	<u>(16,225)</u>	<u>4,500</u>		<u>(11,725)</u>
Excess Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(13,042)	(1,815)		(14,857)
Fund Cash Balances, January 1 - Restated	27,308	39,787	\$21,096	88,191
Fund Cash Balances, December 31	<u>\$14,266</u>	<u>\$37,972</u>	<u>\$21,096</u>	<u>\$73,334</u>
Reserve for Encumbrances, December 31	<u>\$1,718</u>	<u>\$2,873</u>		<u>\$4,591</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, 2009**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$197,689
Miscellaneous	4,272
	<u>201,961</u>
Operating Cash Disbursements:	
Personal Services	48,929
Employee Fringe Benefits	7,988
Contractual Services	35,604
Supplies and Materials	25,200
	<u>117,721</u>
Operating Income	<u>84,240</u>
Non-Operating Cash Receipts:	
Property and Other Local Taxes	2,285
Intergovernmental	1,113,203
Other Debt Proceeds	1,265,202
Other Non-Operating Cash Receipts	5,000
	<u>2,385,690</u>
Non-Operating Cash Disbursements:	
Capital Outlay	2,473,706
Redemption of Principal	3,609
Other Non-Operating Cash Disbursements	230
	<u>2,477,545</u>
Excess of Disbursements Over Receipts Before Interfund Transfers	(7,615)
Transfers-In	<u>10,225</u>
Net Receipts Over Disbursements	2,610
Fund Cash Balances, January 1 - Restated	<u>404,224</u>
Fund Cash Balances, December 31	\$406,834

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, 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 8 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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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 charges for services from residents to cover sewer service costs.

Sewer Separation Improvement Fund - This fund receives grants and loan proceeds 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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

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 financial statements and budgetary presentations for material items that should have been encumbered.

A summary of 2009 budgetary activity appears in Note 4.

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. Restatement of Funds

In prior years the Village reported swimming pool operations as part of the special revenue park fund for 2009 this activity has been appropriately reclassified to an enterprise fund. The effect on the fund balances as previously reported is as follows:

	Special Revenue	Enterprise
Fund Balance as reported at December 31, 2008	\$42,787	\$401,224
Reclassification	(3,000)	3,000
Restated Fund Balances at January 1, 2009	\$39,787	\$404,224

3. 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:

	2009
Demand deposits	\$480,168

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

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

4. Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,050	\$89,659	(\$1,391)
Special Revenue	70,701	41,827	(28,874)
Capital Projects	500		(500)
Enterprise	3,534,419	2,597,876	(936,543)
Total	\$3,696,670	\$2,729,362	(\$967,308)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,434	\$104,419	\$12,015
Special Revenue	53,150	46,515	6,635
Enterprise	3,529,897	2,595,266	934,631
Total	\$3,699,481	\$2,746,200	\$953,281

5. 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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4947	\$475,103	1.5%
Ohio Water Development Authority Loan #4948	1,152,850	2.63%
Ohio Public Works Commission	16,239	0%
Bank Loan	9,636	4.99%
Total	<u>\$1,653,828</u>	

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, 2009, amounts drawn down plus capitalized interest amounts to \$1,152,850. 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, 2009, amounts drawn down plus capitalized interest amounts to \$475,103. 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:

Year ending December 31:	<u>OPWC Loan</u>	<u>Bank Loan</u>
2010	\$1,804	\$4,156
2011	3,609	4,533
2012	3,609	1,511
2013	3,609	
2014	3,608	
Total	<u>\$16,239</u>	<u>\$10,200</u>

7. 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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

7. Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. 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 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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Government participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Government does not participate in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

8. Risk Management (Continued)

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. 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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR Program Title	Project Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Direct Assistance			
Water and Waste Disposal Systems for Rural Communities			
Grant		10.760	\$575,394
Loan		10.760	1,115,985
Total U.S. Department of Agriculture			<u>1,691,379</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Disaster Grant - Public Assistance (Presidentially Declared Disasters)		97.036	9,894
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	C-W-05-241-1	14.228	<u>173,817</u>
Total Federal Awards Expenditures			<u><u>\$1,875,090</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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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 year ended December 31, 2009, and have issued our report thereon dated July 21, 2010, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 21, 2010.

We intend this report solely for the information and use of management, the finance committee, Village Council, federal awarding agencies, pass-through entities and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 21, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Mount Blanchard, Hancock County, (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Mount Blanchard complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB

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Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving internal control over federal compliance not requiring inclusion in this report, that we reported to the Village's management in a separate letter dated July 21, 2010.

We intend this report solely for the information and use of management, the finance committee, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 21, 2010

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP - Adverse Regulatory - Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA# 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose 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 void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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, each of 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"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the 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 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 may, but need not, be limited to a specific vendor. 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.

Forty-three percent of the transactions tested were not certified by the fiscal officer at the time the commitments were incurred, and there was no evidence the Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Super blanket certificates were used for the majority of the expenditures even though they were not recurring expenses and no limit has been set for blanket certificates. In addition, the Village had \$4,591 in outstanding purchase commitments as of December 31, 2009 which had not been 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 and Special Revenue Funds.

Certification is not only required by Ohio law, but it is a key control in the disbursement process to help assure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council, we recommend all Village disbursements receive 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. We recommend super blanket certificates be used for recurring expenses only and a limit be established on blanket certificates.

FINDING NUMBER 2009-002

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 twelve audit reclassifications and adjustments ranging in amounts \$23 to \$1,265,202 including:

- OWDA loan in the amount of \$1,265,202 was classified as intergovernmental revenue instead of debt proceeds.
- Rollback and homestead, public utilities, and fixed rate loss in the amount of \$7,063 were posted to property taxes instead of intergovernmental revenue.
- Delinquent utility money assessed to taxes and collected in the amount of \$1,713 was posted to special assessments instead of charges for services.
- FEMA funds in the amount of \$4,446 were posted to the pool replacement fund as other financing sources instead of to the fund where the expenditures occurred as intergovernmental revenue.
- The principal paid toward the Village's debt in the amount of \$3,609 was classified as fiscal and interest charges line item instead of principal.
- Purchases for the park in the amount of \$4,072 were posted to other financing uses line item instead of leisure time activities.

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.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC § 5705.10 receipts posted to incorrect funds	No	Partially corrected. Included as part of Finding 2009-002 in this report.
2008-002	ORC § 5705.39 Appropriations exceeding estimated resources	Yes	
2008-003	ORC § 5705.41(B) Expenditures exceeding appropriations	Yes	
2008-004	ORC § 5705.41(D)(1) Expenditures not receiving prior certification	No	Repeated as Finding 2009-001 in this report.
2008-005	Material Weakness – Monitoring Village Financial Activity	No	Repeated as Finding 2009-002 in this report.



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 5, 2010**