



Dave Yost • Auditor of State

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Blanchard, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mount Blanchard, Hancock County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 31, 2018

Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$34,215	\$9,938		\$44,153
Intergovernmental	31,866	68,919	\$11,125	111,910
Special Assessments		11,086	3,404	14,490
Charges for Services		20,429		20,429
Fines, Licenses and Permits	90			90
Earnings on Investments	896	131		1,027
Miscellaneous		4,304	15,241	19,545
<i>Total Cash Receipts</i>	<u>67,067</u>	<u>114,807</u>	<u>29,770</u>	<u>211,644</u>
Cash Disbursements				
Current:				
Security of Persons and Property		7,464		7,464
Public Health Services	4,000			4,000
Leisure Time Activities		67,620		67,620
Community Environment	1			1
Basic Utility Services	843			843
Transportation	206	16,309		16,515
General Government	55,563	9,323		64,886
Capital Outlay	8,448		12,475	20,923
Debt Service:				
Principal Retirement	2,917			2,917
Interest and Fiscal Charges	605			605
<i>Total Cash Disbursements</i>	<u>72,583</u>	<u>100,716</u>	<u>12,475</u>	<u>185,774</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,516)</u>	<u>14,091</u>	<u>17,295</u>	<u>25,870</u>
Other Financing Receipts				
Other Financing Sources		4,855		4,855
<i>Net Change in Fund Cash Balances</i>	<u>(5,516)</u>	<u>18,946</u>	<u>17,295</u>	<u>30,725</u>
<i>Fund Cash Balances, January 1</i>	<u>18,000</u>	<u>69,972</u>	<u>15,093</u>	<u>103,065</u>
Fund Cash Balances, December 31				
Restricted		88,918	32,388	121,306
Assigned	12,484			12,484
<i>Fund Cash Balances, December 31</i>	<u>\$12,484</u>	<u>\$88,918</u>	<u>\$32,388</u>	<u>\$133,790</u>

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$231,112
Operating Cash Disbursements	
Personal Services	38,928
Employee Fringe Benefits	5,780
Contractual Services	41,238
Supplies and Materials	18,969
<i>Total Operating Cash Disbursements</i>	104,915
<i>Operating Income</i>	126,197
Non-Operating Disbursements	
Capital Outlay	(9,919)
Principal Retirement	(42,320)
Interest and Other Fiscal Charges	(53,838)
<i>Total Non-Operating Disbursements</i>	(106,077)
<i>Net Change in Fund Cash Balances</i>	20,120
<i>Fund Cash Balances, January 1</i>	512,992
<i>Fund Cash Balances, December 31</i>	\$533,112

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

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

Memorial Park Fund This fund receives donations for the construction, maintenance, and repair of Memorial Park.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

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

Note 3 - Compliance

Contrary to Ohio law, the Village posted intergovernmental revenues in the General Fund instead of the Recreation; Street Construction, Maintenance and Repair; and State Highway funds in the amounts of \$434, \$2,978, and \$241, respectively, for the year ended December 31, 2017.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,599	\$67,067	\$1,468
Special Revenue	93,423	119,662	26,239
Capital Projects	15,241	29,770	14,529
Enterprise	238,000	231,112	(6,888)
Total	\$412,263	\$447,611	\$35,348

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,370	\$73,528	(\$158)
Special Revenue	151,900	102,714	49,186
Capital Projects	20,241	12,475	7,766
Enterprise	318,000	217,656	100,344
Total	\$563,511	\$406,373	\$157,138

Note 5 – 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:

	2017
Demand deposits	\$237,152
Certificates of deposit	200,849
Other time deposits (savings and NOW accounts)	228,901
Total deposits	\$666,902

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

December 31. The second half payment is due the following June 20.

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

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

Note 7 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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 equity at December 31, 2017.

	<u>2017</u>
Assets	<u>\$ 14,853,620</u>
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$ 5,292,512</u></u>

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$1,063,000	4.125%
Ohio Water Development Authority Loan #4947	399,413	1.50%
Ohio Water Development Authority Loan #6612	403,576	2.00%
Ohio Public Works Commission Loan #CM24N	137,806	0.00%
Truck Loan #3171	11,187	5.07%
Truck Loan #3649	14,891	5.75%
Total	\$2,029,873	

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

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

The Ohio Water Development Authority (OWDA) loan #6612 was entered into for a new water tower and distribution system improvements. The OWDA financed \$436,454 in loan and capitalized interest to the Village for this project at an interest rate of 2%. The Village will repay the loan in semiannual installments

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

of \$9,709, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

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

Amortization

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

Year Ending December 31:	USDA	OWDA Loan	OWDA Loan	OPWC Loan	Truck Loan	Truck
	Mortgage Revenue Bond	#4947	#6612	#CM24N	#3171	Loan #3649
2018	\$59,849	\$20,981	\$19,417	\$5,512	\$9,497	\$5,415
2019	59,189	20,981	19,417	5,513	2,038	5,197
2020	59,529	20,981	19,417	5,512		5,198
2021	59,828	20,981	19,417	5,512		314
2022	59,085	20,981	19,417	5,512		
2023-2027	298,463	104,907	97,087	27,561		
2028-2032	296,156	104,907	97,087	27,562		
2033-2037	297,694	104,907	97,087	27,561		
2038-2042	297,755	41,963	97,087	27,561		
2043-2047	298,938		29,126			
2048-2050	178,778					
Total	\$1,965,264	\$461,589	\$514,559	\$137,806	\$11,535	\$16,124

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Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$35,952	\$10,628		\$46,580
Intergovernmental	33,649	28,286		61,935
Special Assessments		14,772		14,772
Charges for Services		3,494		3,494
Fines, Licenses and Permits	165			165
Earnings on Investments	36	25		61
Miscellaneous		1,513	\$1,000	2,513
<i>Total Cash Receipts</i>	<u>69,802</u>	<u>58,718</u>	<u>1,000</u>	<u>129,520</u>
Cash Disbursements				
Current:				
Leisure Time Activities		49,752		49,752
Community Environment	320			320
Basic Utility Services	979			979
Transportation		10,349		10,349
General Government	64,794	3,353		68,147
Debt Service:				
Principal Retirement	2,091			2,091
Interest and Fiscal Charges	309			309
<i>Total Cash Disbursements</i>	<u>68,493</u>	<u>63,454</u>		<u>131,947</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,309</u>	<u>(4,736)</u>	<u>1,000</u>	<u>(2,427)</u>
Other Financing Receipts (Disbursements)				
Transfers In		1,500		1,500
Transfers Out	(1,500)			(1,500)
Other Financing Sources	132	350		482
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,368)</u>	<u>1,850</u>		<u>482</u>
<i>Net Change in Fund Cash Balances</i>	(59)	(2,886)	1,000	(1,945)
<i>Fund Cash Balances, January 1</i>	<u>18,059</u>	<u>72,858</u>	<u>14,093</u>	<u>105,010</u>
Fund Cash Balances, December 31				
Restricted		69,972	15,093	85,065
Assigned	7,771			7,771
Unassigned	10,229			10,229
<i>Fund Cash Balances, December 31</i>	<u>\$18,000</u>	<u>\$69,972</u>	<u>\$15,093</u>	<u>\$103,065</u>

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$254,216
Operating Cash Disbursements	
Personal Services	40,337
Employee Fringe Benefits	6,147
Contractual Services	40,809
Supplies and Materials	12,068
<i>Total Operating Cash Disbursements</i>	99,361
<i>Operating Income</i>	154,855
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	130
Capital Outlay	(4,743)
Principal Retirement	(48,810)
Interest and Other Fiscal Charges	(60,590)
Other Financing Sources	304
<i>Total Non-Operating Receipts (Disbursements)</i>	(113,709)
<i>Income before Transfers</i>	41,146
Transfers In	3,170
Transfers Out	(3,170)
<i>Net Change in Fund Cash Balances</i>	41,146
<i>Fund Cash Balances, January 1</i>	471,846
<i>Fund Cash Balances, December 31</i>	\$512,992

See accompanying notes to the basic financial statements

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

Public Entity Risk Pool

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

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

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:

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 - Compliance

Contrary to Ohio law, the Village posted intergovernmental revenues in the General Fund instead of the Recreation; Street Construction, Maintenance and Repair; and State Highway funds in the amounts of \$437, \$3,534, and \$286, respectively, for the year ended December 31, 2016.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,892	\$69,934	(\$4,958)
Special Revenue	43,541	60,568	17,027
Capital Projects		1,000	1,000
Enterprise	267,851	257,820	(10,031)
Total	\$386,284	\$389,322	\$3,038

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,900	\$69,993	\$18,907
Special Revenue	70,485	63,454	7,031
Capital Projects	5,000		5,000
Enterprise	332,795	216,674	116,121
Total	\$497,180	\$350,121	\$147,059

Note 5 – 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:

	2016
Demand deposits	\$616,057

Deposits

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

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

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

Note 7 - Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 equity at December 31, 2016.

	<u>2016</u>
Assets	\$ 14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$1,078,000	4.125%
Ohio Water Development Authority Loan #4947	406,852	1.50%
Ohio Water Development Authority Loan #6612	409,193	2.00%
Ohio Public Works Commission Loan #CM24N	143,318	0.00%
Truck Loan #3171	19,241	5.07%
Total	<u>\$2,056,604</u>	

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

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

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

Village of Mount Blanchard, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

The Village entered into a loan with a local bank in the amount of \$34,271 for the purchase of a truck for Village use. The Village will repay the loan in monthly installments of \$791, including interest, over 5 years.

Amortization

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

Year Ending December 31:	USDA				Truck Loan #3171
	Mortgage Revenue Bond	OWDA Loan #4947	OWDA Loan #6612	OPWC Loan #CM24N	
2017	\$59,468	\$20,981	\$19,417	\$5,512	\$9,614
2018	59,849	20,981	19,417	5,512	9,497
2019	59,189	20,981	19,417	5,513	2,038
2020	59,529	20,981	19,417	5,512	
2021	59,828	20,981	19,417	5,512	
2022-2026	297,588	104,907	97,087	27,561	
2027-2031	296,148	104,907	97,087	27,561	
2032-2036	297,881	104,907	97,087	27,561	
2037-2041	298,345	62,944	97,087	27,561	
2042-2046	298,219		48,543	5,513	
2047-2050	238,688				
Total	<u>\$2,024,732</u>	<u>\$482,570</u>	<u>\$533,976</u>	<u>\$143,318</u>	<u>\$21,149</u>

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Mount Blanchard, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 31, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 31, 2018

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following adjustments are included in the accompanying 2017 and 2016 financial statements:

- In 2016, adjustments were posted ranging in amounts from \$823 to \$23,258 to properly reflect pool activity in the recreation fund.
- In 2016, property tax revenues in the amount of \$35,831 were incorrectly posted at net and as intergovernmental revenues in the General Fund.
- In 2017 and 2016, special assessment revenues in the amounts of \$8,824 and \$8,863, respectively, were posted as miscellaneous revenue and charges for services in the Special Revenue Funds.
- In 2017, charges for services revenue in the amount of \$18,164 were incorrectly posted as intergovernmental revenue in the Special Revenue Funds.
- In 2017 and 2016, fund balance was improperly classified as unassigned instead of assigned in the General Fund in the amounts of \$12,484 and \$7,771, respectively.

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

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook and Audit Bulletin 2011-004 for information on GASB Statement No. 54. The Village Council should also review the Village's statements to help ensure all transactions are being properly posted to the financial statements.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness

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

- In 2017 and 2016, the Village inappropriately recorded \$434 and \$437, respectively, of rollback and homestead intergovernmental revenues against property taxes in the General Fund. Given the source of the revenue, this should have been recorded in the Recreation Fund.
- In 2017 and 2016, the Village inappropriately recorded \$3,219 and \$3,820, respectively, of gasoline excise tax intergovernmental revenues in the General Fund. Given the source of the revenues, this should have been recorded in the Street Construction, Maintenance and Repair Fund in the amounts of \$2,978 and \$3,534, respectively, and in the State Highway Fund in the amounts of \$241 and \$286, respectively.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

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

Officials' Response:

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness for financial reporting due to material audit adjustments.	Not corrected and repeated as finding 2017-001 in this report.	The Fiscal Officer was unaware of the errors and will review the proper procedures and make corrections in the future.
2015-002	Noncompliance with Ohio Rev. Code § 5705.14(E) and material weakness due to an illegal transfer.	Fully corrected.	
2015-003	Noncompliance with Ohio Rev. Code § 5705.39 due to appropriations exceeding estimated resources.	Fully corrected.	
2015-004	Noncompliance with Ohio Rev. Code § 5705.10(D) and material weakness due to the posting of revenues to the wrong fund.	Not corrected and repeated as finding 2017-002 in this report.	The Fiscal Officer was unaware of the errors and will review the proper procedures and make corrections in the future.
2015-005	Noncompliance with Ohio Rev. Code § 5705.41(B) due to expenditures exceeding appropriations.	Fully corrected.	

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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
NOVEMBER 20, 2018