



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**REGULAR AUDIT**

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



**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

November 29, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Blanchard, Hancock County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows, where applicable for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

November 29, 2007



**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, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$37,903			\$37,903
Intergovernmental	51,159	\$31,502		82,661
Special Assessments		387		387
Charges for Services		20,671		20,671
Fines, Licenses and Permits	30			30
Earnings on Investments	7,152	3,225		10,377
Miscellaneous	2,126	264		2,390
	<u>98,370</u>	<u>56,049</u>		<u>154,419</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property		4,850		4,850
Public Health Services	983			983
Leisure Time Activities		42,424		42,424
Community Environment	6,525			6,525
Basic Utility Service	1,222			1,222
Transportation		24,879		24,879
General Government	61,728	4,264		65,992
Debt Service	7,534			7,534
Capital Outlay	7,407	10,000		17,407
	<u>85,399</u>	<u>86,417</u>		<u>171,816</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>12,971</u>	<u>(30,368)</u>		<u>(17,397)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		10,000		10,000
Transfers-Out	(10,000)			(10,000)
	<u>(10,000)</u>	<u>10,000</u>		
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,971	(20,368)		(17,397)
Fund Cash Balances, January 1	<u>62,817</u>	<u>84,456</u>	<u>\$22,652</u>	<u>169,925</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$65,788</u></u>	<u><u>\$64,088</u></u>	<u><u>\$22,652</u></u>	<u><u>\$152,528</u></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, 2006**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$116,523
Miscellaneous	1,472
	117,995
Total Operating Cash Receipts	117,995
<b>Operating Cash Disbursements:</b>	
Personal Services	31,150
Contractual Services	6,624
Supplies and Materials	14,409
	52,183
Total Operating Cash Disbursements	52,183
Operating Income	65,812
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	2,547
Intergovernmental	5,408
	7,955
Total Non-Operating Cash Receipts	7,955
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	64,240
Debt Service	32,949
	97,189
Total Non-Operating Cash Disbursements	97,189
Net Disbursements Over Receipts	(23,422)
Fund Cash Balances, January 1	262,099
<b>Fund Cash Balances, December 31</b>	<b>\$238,677</b>

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$21,524			\$21,524
Intergovernmental	49,631	\$62,468		112,099
Special Assessments		7,989		7,989
Charges for Services		24,066		24,066
Fines, Licenses and Permits	60			60
Earnings on Investments	3,001	1,275		4,276
Miscellaneous	519	203		722
	<u>74,735</u>	<u>96,001</u>		<u>170,736</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property		5,301		5,301
Public Health Services	2,065			2,065
Leisure Time Activities		38,698		38,698
Community Environment	4,928	26,520		31,448
Basic Utility Service	2,383			2,383
Transportation		29,782		29,782
General Government	55,233	13		55,246
Debt Service	7,407			7,407
Capital Outlay	3,513			3,513
	<u>75,529</u>	<u>100,314</u>		<u>175,843</u>
<b>Total Cash Disbursements</b>				
Total Disbursements Over Receipts	<u>(794)</u>	<u>(4,313)</u>		<u>(5,107)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		5,000		5,000
Transfers-Out	(5,000)			(5,000)
	<u>(5,000)</u>	<u>5,000</u>		
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,794)	687		(5,107)
Fund Cash Balances, January 1	<u>68,611</u>	<u>83,769</u>	<u>\$22,652</u>	<u>175,032</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$62,817</u></u>	<u><u>\$84,456</u></u>	<u><u>\$22,652</u></u>	<u><u>\$169,925</u></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, 2005**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$114,598
Miscellaneous	18
	114,616
Total Operating Cash Receipts	114,616
<b>Operating Cash Disbursements:</b>	
Personal Services	21,178
Contractual Services	7,692
Supplies and Materials	13,716
	42,586
Total Operating Cash Disbursements	42,586
Operating Income	72,030
<b>Non-Operating Cash Receipts:</b>	
Property and Other Local Taxes	2,131
Intergovernmental	2
Other Debt Proceeds	262,740
	264,873
Total Non-Operating Cash Receipts	264,873
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	263,555
Debt Service	6,109
	269,664
Total Non-Operating Cash Disbursements	269,664
Net Receipts Over Disbursements	67,239
Fund Cash Balances, January 1	194,860
<b>Fund Cash Balances, December 31</b>	<b>\$262,099</b>

*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, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mount Blanchard, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities and pool and park operations. Fire protection services are provided to the Village by Delaware Township.

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

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

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

Federal Emergency Management Assistance Fund – This fund received a public assistant grant to help the Village with the cost of the cleanup from the ice storm.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

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

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives loan proceeds from OWDA and money from residents to help fund the installation of a planned 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

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

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

**3. 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 2006 and 2005 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**F. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	2006	2005
Demand deposits	\$391,205	\$432,024

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

**3. BUDGETARY ACTIVITY**

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,611	\$98,370	\$7,759
Special Revenue	79,200	66,049	(13,151)
Enterprise	124,715	125,950	1,235
Total	\$294,526	\$290,369	(\$4,157)

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

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

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,816	\$95,399	\$66,417
Special Revenue	105,470	86,417	19,053
Capital Projects	20,000		20,000
Enterprise	352,160	149,372	202,788
Total	\$639,446	\$331,188	\$308,258

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,185	\$74,735	\$2,550
Special Revenue	76,915	101,001	24,086
Enterprise	83,976	379,489	295,513
Total	\$233,076	\$555,225	\$322,149

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,356	\$80,529	\$32,827
Special Revenue	103,050	100,314	2,736
Capital Projects	20,000		20,000
Enterprise	230,210	312,250	(82,040)
Total	\$466,616	\$493,093	(\$26,477)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Federal Emergency Management Agency Fund and Sewer Fund by \$26,520 and \$190,821, respectively for the year ended December 31, 2005 and in the Federal Emergency Management Agency Fund by \$4,250 for the year ended December 31, 2006.

**4. PROPERTY TAX**

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



**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

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

**4. PROPERTY TAX – (CONTINUED)**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3896	\$15,000	0%
Ohio Water Development Authority Loan #4288	284,069	4.99%
Ohio Public Works Commission	27,065	0%
Promissory Note	21,000	4%
Total	<u>\$347,134</u>	

The Ohio Water Development Authority (OWDA) loan #3896 relates to a cooperative agreement with the OWDA. The loan was approved at \$25,000; however, only \$20,000 of the \$25,000 has been borrowed. The loan will be repaid in annual installments of \$2,500, interest free, over 10 years. Payments are made from the Village's Sewer Fund, which receives revenue from sewer assessments to retire the debt.

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

The Village entered into a promissory note for the purchase of land for the lagoon in the amount of \$46,000 at an interest rate of 4%. Payments are made from the Village's Sewer Fund, which receives revenue from sewer assessments to retire the note.

The Ohio Water Development Authority (OWDA) loan #4288 relates to the planning of a sanitary sewer system project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$477,869 in loans to the Village for this project at an interest rate of 4.99%. The Village will repay the loans with money from the USDA. As of December 31, 2006, amounts drawn down plus capitalized interest amounts to \$284,069. 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.

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

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

**5. DEBT – (CONTINUED)**

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

Year ending December 31:	<u>OWDA Loan</u>	<u>OPWC</u>	<u>Promissory Note</u>
2007	\$2,500	\$1,804	\$21,840
2008	2,500	3,609	
2009	2,500	3,609	
2010	2,500	3,609	
2011	2,500	3,609	
2012 – 2014	2,500	10,825	
Total	<u>\$15,000</u>	<u>\$27,065</u>	<u>\$21,840</u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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

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

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

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

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

**7. RISK MANAGEMENT – (Continued)**

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:

	<b>2006</b>	<b>2005</b>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. SUBSEQUENT EVENTS**

In 2007, the Village borrowed \$20,000 to purchase the former Township house.

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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 years ended December 31, 2006 and 2005, and have issued our report thereon dated November 29, 2007, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

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

We consider items 2006-001, 2006-003 and 2006-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

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

We noted certain matters that we reported to the Village's management in a separate letter dated November 29, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2006-001 through 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 29, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

November 29, 2007

**VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Noncompliance Citation / Material Weakness**

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

Prior period audit adjustment was not posted to the Village financial records. In May 2005, the Village changed to accrual payroll software that established a payroll liability fund which resulted in expenditures directly paid out of this fund and not from the individual Village funds that the work performed was related to.

In 2006 there were posting errors in gas tax and motor vehicle registration fees between the State Highway, General and Street Construction, Maintenance and Repair (SCMR) funds. Wastewater planning loan debt payment was paid from the Water Fund which should have been posted to the Sewer Fund. Payments for the storm sewer project were paid from the Sewer Fund which should have been posted to the General Fund and Permissive Tax Fund. Homestead and rollback reimbursements for Water Maintenance Fund were posted to the General Fund.

Below is the effect that these adjustments had on the respective funds:

Fund	General	SCMR	State Highway	Park	Permissive Tax	Water	Water Maintenance	Sewer
<b>2005</b>								
Prior Period Adjustment	(\$10,000)				\$10,000			
<b>2006</b>								
Payroll not posted	416	\$379		\$1,095		\$418		\$1,016
Gas tax and MVL registration fees	(342)	1,214	(\$872)					
Planning loan						2,500		( 2,500)
Storm sewer	(\$ 4,888)				(10,000)			14,888
Homestead & rollback	(307)						\$307	
<b>Net Effect</b>	<u>(\$15,121)</u>	<u>\$1,593</u>	<u>(\$872)</u>	<u>\$1,095</u>		<u>\$2,918</u>	<u>\$307</u>	<u>\$13,404</u>

The Village Fiscal Officer posted these adjustments to the Village records, which are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Fiscal Officer and Council should compare the receipt and expenditure supporting documentation to ensure the correct fund and account postings.

**FINDING NUMBER 2006-001  
(Continued)**

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been lawfully appropriated.

The Village's had expenditures in excess of appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
<b>2005</b>			
Federal Emergency Management Agency Fund		\$ 26,520	(\$ 26,520)
Sewer Fund	\$73,150	\$263,971	(\$190,821)
<b>2006</b>			
Federal Emergency Management Agency Fund		\$ 4,250	(\$ 4,250)

In addition, expenditures exceeded appropriations at the legal level of control (object level) in various accounts in 2006 and 2005.

The budgeting process is an essential monitoring control that, when properly used, ensures the Village from incurring a deficit spending situation. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-003**

**Financial Reporting / Material Weakness**

As a result of audit procedures performed, the following errors were noted in the financial statements that required additional audit reclassifications or adjustment from those noted in **Finding Number 2006-001**:

- Revenue received at year end in the amount of \$67,058 in 2004, \$10,998 in 2005 and \$8,769 in 2006 was deposited into the bank, however it was not posted to the Village books until 2005, 2006 and 2007, respectively.
- General Fund intergovernmental (local government, homestead and rollback reimbursements and personal property exemption) in the amount of \$5,632 in 2005 and \$13,160 in 2006 were classified as taxes.
- Debt payments in the amount of \$13,516 in 2005 and \$40,356 in 2006 were classified as contractual services, materials and supplies, and capital outlay.



**FINDING NUMBER 2006-003  
(Continued)**

- OWDA loan proceeds in the amount of \$262,740 in 2005 were classified as other financing sources.
- Sewer Fund capital outlay (purchase of land and planning of the sewer system) of \$159,949 in 2005 and \$64,240 in 2006 were classified as contract services and materials and supplies.
- Interest in the amount of \$4,276 in 2005 and \$10,377 in 2006 was classified as miscellaneous revenue.
- In 2006, the Federal Emergency Management Agency Fund was not reflected on the financial statements.
- In 2006, a Sewer Fund intergovernmental grant in the amount of \$5,100 was classified as miscellaneous revenue.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Village voucher packets reviewed by Council should include the fund and account to be paid out of and Council should verify proper fund prior to signing off as okay to pay. The Fiscal Officer should also review the Village Handbook's chart of accounts to ensure that all accounts are properly posted to the financial statements. In addition, deposits should be posted to the Village books during the same period they were deposited into the bank.

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-004**

**Expenditures / Material Weakness**

The following weaknesses were noted during expenditure testing:

- Invoices were not included for all expenditures.
- Invoices are filed by month by purchase order number rather than by check number and not all vouchers are filed in the bills paid file. Some are filed in there own file to keep track of a project or numerous bills to a particular vendor.
- Purchase orders do not indicate what fund/account the bill is being paid out of.
- Bills are not being paid by the due date resulting in the following month's bill showing a previous balance. Then that month previous balance is paid on invoices and not just the current charges resulting in overpayments, although these amounts are credited to the following month's bill. In addition, late fees and finances charges were accessed to credit card payments.
- Sales tax was paid on credit card purchases.
- One individual was overpaid by \$60 due to a rental deposit being included in with the bill the individual submitted, but the amount paid by the Village did not subtract off the amount refunded to the individual.

**FINDING NUMBER 2006-004  
(Continued)**

These weaknesses could result in errors or irregularities occurring and not being detected during the normal course of operations. To reduce the possibility of paying late fees, finance charges, overpayment of charges and posting errors to funds or accounts, we recommend:

- Itemized invoices should be included for all expenditures.
- Invoices should be filed by check number and all vouchers be filed in the bills paid file.
- Purchase orders indicate what fund/account the bill is being paid from.
- Bills should be paid by the due date.
- Sales tax should not be paid on credit card purchases.
- Invoices should be double checked to be sure the fund and/or account charged is proper and carried forward to the annual financial report.
- Refunds or credits should be deducted from any payments.

We also recommend the Village establish a credit card policy related to some of the above weaknesses.

**Officials Response:**

No response was received.

VILLAGE OF MOUNT BLANCHARD  
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Finding Repaid Under Audit for a bill miscalculated.	Yes	





**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  
DECEMBER 20, 2007**