



Dave Yost • Auditor of State

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Cover Letter | 1 |
| Independent Accountants' Report..... | 3 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011 | 6 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010 | 7 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2010 | 8 |
| Notes to the Financial Statements | 9 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 19 |
| Schedule of Findings | 21 |
| Schedule of Prior Audit Findings | 25 |

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Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 18, 2012

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Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of the Village of Mount Blanchard, Hancock County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F during 2011 the Village of Mount Blanchard adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, 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.



Dave Yost
Auditor of State

December 18, 2012

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$35,371 | | | \$35,371 |
| Intergovernmental | 54,871 | \$18,482 | | 73,353 |
| Charges for Services | | 475 | | 475 |
| Earnings on Investments | 84 | 82 | | 166 |
| Miscellaneous | 84 | | | 84 |
| <i>Total Cash Receipts</i> | <u>90,410</u> | <u>19,039</u> | | <u>109,449</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | | 6,500 | | 6,500 |
| Public Health Services | 3,170 | | | 3,170 |
| Leisure Time Activities | | 1,693 | | 1,693 |
| Community Environment | 110 | | | 110 |
| Basic Utility Services | 380 | | | 380 |
| Transportation | 3,447 | 23,526 | | 26,973 |
| General Government | 48,690 | 2,187 | | 50,877 |
| Capital Outlay | | | \$135 | 135 |
| Debt Service: | | | | |
| Principal Retirement | 4,369 | | | 4,369 |
| Interest and Fiscal Charges | 175 | | | 175 |
| <i>Total Cash Disbursements</i> | <u>60,341</u> | <u>33,906</u> | <u>135</u> | <u>94,382</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>30,069</u> | <u>(14,867)</u> | <u>(135)</u> | <u>15,067</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 4,680 | | 4,680 |
| Transfers Out | (14,680) | | | (14,680) |
| Other Financing Uses | (4,992) | | | (4,992) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(19,672)</u> | <u>4,680</u> | | <u>(14,992)</u> |
| <i>Net Change in Fund Cash Balances</i> | 10,397 | (10,187) | (135) | 75 |
| <i>Fund Cash Balances, January 1</i> | <u>16,453</u> | <u>33,762</u> | <u>17,528</u> | <u>67,743</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 23,575 | 17,393 | 40,968 |
| Unassigned | 26,850 | | | 26,850 |
| <i>Fund Cash Balances, December 31</i> | <u>\$26,850</u> | <u>\$23,575</u> | <u>\$17,393</u> | <u>\$67,818</u> |

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

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Enterprise</u> |
|---|-------------------------|
| Operating Cash Receipts | |
| Charges for Services | \$243,927 |
| Miscellaneous | 93 |
| | <u>244,020</u> |
| <i>Total Operating Cash Receipts</i> | <u>244,020</u> |
| Operating Cash Disbursements | |
| Personal Services | 58,756 |
| Employee Fringe Benefits | 9,778 |
| Contractual Services | 35,350 |
| Supplies and Materials | 19,074 |
| | <u>122,958</u> |
| <i>Total Operating Cash Disbursements</i> | <u>122,958</u> |
| <i>Operating Income</i> | <u>121,062</u> |
| Non-Operating Receipts (Disbursements) | |
| Intergovernmental | 10,137 |
| Capital Outlay | (16,273) |
| Principal Retirement | (17,229) |
| Interest and Other Fiscal Charges | (51,464) |
| Other Financing Sources | 4,341 |
| | <u>(70,488)</u> |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(70,488)</u> |
| <i>Income before Transfers</i> | 50,574 |
| Transfers In | 10,000 |
| | <u>60,574</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>60,574</u> |
| <i>Fund Cash Balances, January 1</i> | <u>501,417</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$561,991</u></u> |

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

**VILLAGE OF MOUNT BLANCARD
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts: | | | | |
| Property and Local Taxes | \$35,365 | | | \$35,365 |
| Intergovernmental | 48,626 | \$19,470 | | 68,096 |
| Charges for Services | | 600 | | 600 |
| Fines, Licenses and Permits | 60 | | | 60 |
| Earnings on Investments | 183 | 323 | | 506 |
| Miscellaneous | 195 | | | 195 |
| <i>Total Cash Receipts</i> | <u>84,429</u> | <u>20,393</u> | | <u>104,822</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 387 | 6,223 | | 6,610 |
| Public Health Services | 3,413 | | | 3,413 |
| Leisure Time Activities | | 2,506 | | 2,506 |
| Community Environment | 250 | | | 250 |
| Basic Utility Service | 3,079 | | | 3,079 |
| Transportation | 2,990 | 15,914 | | 18,904 |
| General Government | 53,136 | 1,961 | | 55,097 |
| Debt Service: | | | | |
| Redemption of Principal | 4,154 | | | 4,154 |
| Interest and Fiscal Charges | 390 | | | 390 |
| Capital Outlay | | | \$3,568 | 3,568 |
| <i>Total Cash Disbursements</i> | <u>67,799</u> | <u>26,604</u> | <u>3,568</u> | <u>97,971</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>16,630</u> | <u>(6,211)</u> | <u>(3,568)</u> | <u>6,851</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Transfers-In | | 2,000 | | 2,000 |
| Transfers-Out | (14,000) | | | (14,000) |
| Other Financing Uses | (442) | | | (442) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(14,442)</u> | <u>2,000</u> | | <u>(12,442)</u> |
| <i>Net Change in Fund Cash Balances</i> | 2,188 | (4,211) | (3,568) | (5,591) |
| <i>Fund Cash Balances, January 1</i> | <u>14,265</u> | <u>37,973</u> | <u>21,096</u> | <u>73,334</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$16,453</u> | <u>\$33,762</u> | <u>\$17,528</u> | <u>\$67,743</u> |

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

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Enterprise |
|---|------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$236,239 |
| Miscellaneous | 100 |
| | 236,339 |
| <i>Total Operating Cash Receipts</i> | <i>236,339</i> |
| Operating Cash Disbursements: | |
| Personal Services | 57,577 |
| Employee Fringe Benefits | 9,528 |
| Contractual Services | 30,651 |
| Supplies and Materials | 16,785 |
| | 114,541 |
| <i>Total Operating Cash Disbursements</i> | <i>114,541</i> |
| <i>Operating Income</i> | <i>121,798</i> |
| Non-Operating Receipts (Disbursements) | |
| Intergovernmental | 69,495 |
| Sale of Bonds | 1,132,000 |
| Other Debt Proceeds | 30,268 |
| Other Financing Sources | 125 |
| Capital Outlay | (82,128) |
| Redemption of Principal | (1,149,082) |
| Interest and Other Fiscal Charges | (39,894) |
| | (39,216) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <i>(39,216)</i> |
| <i>Income Before Transfers</i> | <i>82,582</i> |
| Transfers-In | 12,000 |
| | 94,582 |
| <i>Net Change in Fund Cash Balances</i> | <i>94,582</i> |
| <i>Fund Cash Balances, January 1</i> | <i>406,835</i> |
| <i>Fund Cash Balances, December 31</i> | <i>\$501,417</i> |

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, 2011 AND 2010**

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

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Street Lighting Fund - This fund provides street lights for the protection of the residents.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

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

4. Enterprise Funds

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

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Swimming Pool Fund - This fund receives charges for services from visitors to run the daily operations of the pool.

Sewer Separation Improvement Fund - This fund receives grants and loan proceeds to finance the installation of a sewer system.

E. 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, 2011 AND 2010
(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. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For 2011, the Village has implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. 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.

G. 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.

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

| | | |
|-----------------|-----------|-----------|
| | 2011 | 2010 |
| Demand deposits | \$629,809 | \$569,160 |

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

At December 31, 2011 and 2010, \$82,151 and \$9,794, respectively, of deposits were not insured or collateralized, contrary to Ohio law.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

| 2011 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$89,204 | \$90,410 | \$1,206 |
| Special Revenue | 60,650 | 23,719 | (36,931) |
| Capital Projects | 1 | | (1) |
| Enterprise | 445,948 | 268,498 | (177,450) |
| Total | \$595,803 | \$382,627 | (\$213,176) |

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

| 2011 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$96,570 | \$80,013 | \$16,557 |
| Special Revenue | 64,506 | 33,906 | 30,600 |
| Capital Projects | 5,000 | 135 | 4,865 |
| Enterprise | 424,182 | 207,924 | 216,258 |
| Total | <u>\$590,258</u> | <u>\$321,978</u> | <u>\$268,280</u> |

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$97,470 | \$84,429 | (\$13,041) |
| Special Revenue | 59,700 | 22,393 | (37,307) |
| Enterprise | 1,480,323 | 1,480,227 | (96) |
| Total | <u>\$1,637,493</u> | <u>\$1,587,049</u> | <u>(\$50,444)</u> |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$94,776 | \$82,241 | \$12,535 |
| Special Revenue | 62,846 | 26,604 | 36,242 |
| Capital Projects | | 3,568 | (3,568) |
| Enterprise | 239,270 | 1,385,645 | (1,146,375) |
| Total | <u>\$396,892</u> | <u>\$1,498,058</u> | <u>(\$1,101,166)</u> |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Lighting Fund by \$603, Pool Replacement Fund by \$3,568, Water Maintenance and Repair Fund by \$437 and Sewer Improvement Fund by \$1,162,211 for the year ended December 31, 2010.

4. Property Tax

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

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

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

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

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt

Debt outstanding at December 31, 2011 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|---------------------------|----------------------|
| USDA Mortgage Revenue Bonds | \$1,132,000 | 4.125% |
| Ohio Water Development Authority Loan #4947 | 478,266 | 1.50% |
| Ohio Public Works Commission | 9,022 | 0% |
| Bank Loan | 1,495 | 4.99% |
| Total | <u><u>\$1,620,783</u></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 loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2011 is \$9,501.

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

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

The Village's taxing authority collateralized the bonds.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (Continued)

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

| | USDA Mortgage Revenue | OWDA Loan | OPWC | Bank Loan |
|--------------------------|-----------------------------|-----------|---------|-----------|
| Year ending December 31: | Bonds | OWDA Loan | OPWC | Bank Loan |
| 2012 | \$46,695 | \$10,491 | \$1,804 | \$1,511 |
| 2013 | 59,509 | 20,981 | 3,609 | |
| 2014 | 59,509 | 20,981 | 3,609 | |
| 2015 | 59,509 | 20,981 | | |
| 2016 | 59,509 | 20,981 | | |
| 2017-2021 | 297,546 | 104,897 | | |
| 2022-2026 | 297,546 | 104,907 | | |
| 2027-2031 | 297,546 | 104,907 | | |
| 2032-2036 | 297,546 | 104,907 | | |
| 2037-2041 | 297,546 | 73,435 | | |
| 2042-2046 | 297,545 | | | |
| 2047-2050 | 237,385 | | | |
| Total | \$2,307,391 | \$587,468 | \$9,022 | \$1,511 |

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Government participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Government participates in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

| | 2010 | | 2009 | |
|-----------------|--------------------|------------------|--------------------|------------------|
| | OPRM | OPHC | OPRM | OPHC |
| Assets | \$12,036,541 | \$1,355,131 | \$11,176,186 | \$1,358,802 |
| Liabilities | (4,845,056) | (1,055,096) | (4,852,485) | (1,253,617) |
| Members' Equity | <u>\$7,191,485</u> | <u>\$300,035</u> | <u>\$6,323,701</u> | <u>\$105,185</u> |

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

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

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 Event

The Village has entered into an agreement with Ohio Public Works Commission (OPWC) to finance a water meter project. To date the OPWC has paid, bills on behalf of the Village, in the amount of \$117,300.

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Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and in 2011 the Village adopted Government Accounting Standards Board Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-002 and 2011-004 described in the accompanying schedule of findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 18, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

December 18, 2012

VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Code, § 135.18, requires the treasurer, before making a deposit in a public depository, to require the institution to pledge eligible securities, as collateral, to adequately protect the public money deposited. Such collateral is to be deposited with the treasurer or with a qualified third party trustee.

The District's bank balance exceeded the amount insured by the Federal Deposit Insurance Corporation and the amount of specific collateral pledged at December 31, 2011 and 2010 by \$82,151 and \$9,794, respectively.

We recommend the Village obtain enough collateral to protect the Village's funds.

FINDING NUMBER 2011-002

Noncompliance Citation / Material Weakness

Ohio Revised Code, § 5705.41(B), prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated in accordance with the Ohio Revised Code.

For 2010, Council approved appropriation modifications after year-end. This practice is not allowed since appropriations are to be in place prior to the expense. After adjusting for the year-end appropriations made after year-end, the Village's budgetary expenditures exceeded appropriations for the Street Lighting Fund by \$603, Pool Replacement Fund by \$3,568, Water Maintenance and Repair Fund by \$437, and Sewer Improvement Fund by \$1,162,211.

The budgetary disclosures have been updated to reflect only appropriations approved prior to year end.

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

FINDING NUMBER 2011-003

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), provides in part that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2011-003
(Continued)

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

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

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

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

Forty percent of the transactions tested were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Council followed the aforementioned exceptions. Rather, for each instance, the Fiscal Officer signed the fiscal certificate after the goods or services had been ordered or an invoice already received. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires for the authorization of disbursements. The Fiscal Officer should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2011-004

Material Weakness – Monitoring Village Financial Activity

We encountered the following transactions that required reclassification adjustments and the accompanying financial statements reflect these amounts:

- Personal property fixed rate loss, rollback and homestead, and public utilities were posted as taxes instead of intergovernmental receipts in the general fund in the amounts of \$3,538 and \$1,441 in 2011 and 2010, respectively.
- Utility revenues were posted as capital contributions and special item instead of charges for services in the Debt Service Reserve Fund in the amounts of \$5,488 and \$4,013 in 2011 and 2010, respectively.
- In 2010, the Sewer Fund miscellaneous receipts and capital outlay disbursements were overstated by \$13,140. The disbursements were posted to here in error, so the Fiscal Officer made a revenue entry to put money back in the fund causing an overstatement in both receipts and disbursements.
- Debt interest payment was posted as capital outlay on the pay off of the interest on the OWDA loan in the amount of \$32,352 in 2010.
- Debt principal was posted as capital outlay and bond proceeds were posted as intergovernmental receipts in the amount of \$1,132,000 in 2010.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council 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 and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State and Council adopt procedures for reviewing the financial statements for accuracy.

Officials' Response:

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

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**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2009-001 | Ohio Revised Code § 5705.41(D)(1) - Certification of disbursements. | No | Reissued as Finding 2011-003 in this report. |
| 2009-002 | Material Weakness - Monitoring Village Financial Activity. | No | Reissued as Finding 2011-004 in this report. |

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Dave Yost • 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 31, 2012