



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, 2015 and 2014.

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 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 1B 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, 2015 and 2014, or 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 combined cash balances of the Village of Mount Blanchard, Hancock County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, 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

November 22, 2016

**VILLAGE OF MOUNT BLANCHARD, OHIO
HANCOCK COUNTY
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$37,458	\$11,297		\$48,755
Intergovernmental	30,401	36,778		67,179
Charges for Services	108	510		618
Fines, Licenses and Permits	75			75
Earnings on Investments	42	29		71
<i>Total Cash Receipts</i>	<u>68,084</u>	<u>48,614</u>		<u>116,698</u>
Cash Disbursements				
Current:				
Leisure Time Activities		18,135		18,135
Community Environment	273			273
Basic Utility Services	381	45,449		45,830
Transportation	765	10,029		10,794
General Government	59,525	1,720		61,245
Capital Outlay	8,568			8,568
Debt Service:				
Principal Retirement	2,000			2,000
<i>Total Cash Disbursements</i>	<u>71,512</u>	<u>75,333</u>		<u>146,845</u>
<i>Excess of Disbursements over Receipts</i>	<u>(3,428)</u>	<u>(26,719)</u>		<u>(30,147)</u>
Other Financing Receipts				
Sale of Notes	8,568			8,568
<i>Net Change in Fund Cash Balances</i>	5,140	(26,719)		(21,579)
<i>Fund Cash Balances, January 1</i>	<u>12,919</u>	<u>99,577</u>	<u>\$14,093</u>	<u>126,589</u>
Fund Cash Balances, December 31				
Restricted		72,858	14,093	86,951
Assigned	15,884			15,884
Unassigned	2,175			2,175
<i>Fund Cash Balances, December 31</i>	<u>\$18,059</u>	<u>\$72,858</u>	<u>\$14,093</u>	<u>\$105,010</u>

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

**VILLAGE OF MOUNT BLANCHARD, OHIO
HANCOCK COUNTY
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$252,206
Miscellaneous	7,989
	<u>260,195</u>
<i>Total Operating Cash Receipts</i>	<i>260,195</i>
Operating Cash Disbursements	
Personal Services	56,974
Employee Fringe Benefits	8,633
Contractual Services	321,629
Supplies and Materials	27,490
	<u>414,726</u>
<i>Total Operating Cash Disbursements</i>	<i>414,726</i>
<i>Operating Loss</i>	<i>(154,531)</i>
Non-Operating Receipts (Disbursements)	
Sale of Notes	25,704
Miscellaneous Receipts	3,310
Capital Outlay	(54,490)
Principal Retirement	(47,916)
Interest and Other Fiscal Charges	(52,109)
	<u>(125,501)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(125,501)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(280,032)</i>
<i>Fund Cash Balances, January 1</i>	<i>751,878</i>
<i>Fund Cash Balances, December 31</i>	<i>\$471,846</i>

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

**VILLAGE OF MOUNT BLANCHARD, OHIO
HANCOCK COUNTY
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$33,782	\$56,528		\$90,310
Intergovernmental	30,550	34,016		64,566
Charges for Services	164	615		779
Fines, Licenses and Permits	30			30
Earnings on Investments	52	36		88
<i>Total Cash Receipts</i>	<u>64,578</u>	<u>91,195</u>		<u>155,773</u>
Cash Disbursements				
Current:				
Leisure Time Activities		325		325
Community Environment	295			295
Basic Utility Services	683			683
Transportation	4,430	15,375		19,805
General Government	61,392	193		61,585
Capital Outlay	956			956
<i>Total Cash Disbursements</i>	<u>67,756</u>	<u>15,893</u>		<u>83,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,178)	75,302		72,124
<i>Fund Cash Balances, January 1</i>	<u>16,097</u>	<u>24,275</u>	<u>\$14,093</u>	<u>54,465</u>
Fund Cash Balances, December 31				
Restricted		99,577	14,093	113,670
Assigned	12,858			12,858
Unassigned	61			61
<i>Fund Cash Balances, December 31</i>	<u>\$12,919</u>	<u>\$99,577</u>	<u>\$14,093</u>	<u>\$126,589</u>

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

**VILLAGE OF MOUNT BLANCHARD, OHIO
HANCOCK COUNTY
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$237,775
Miscellaneous	2,460
	<u>240,235</u>
<i>Total Operating Cash Receipts</i>	<u>240,235</u>
Operating Cash Disbursements	
Personal Services	43,079
Employee Fringe Benefits	5,530
Contractual Services	398,337
Supplies and Materials	131,907
	<u>578,853</u>
<i>Total Operating Cash Disbursements</i>	<u>578,853</u>
<i>Operating Loss</i>	<u>(338,618)</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	595,000
Sale of Notes	434,576
Miscellaneous Receipts	5,000
Capital Outlay	(443,076)
Principal Retirement	(20,287)
Interest and Other Fiscal Charges	(64,324)
	<u>506,889</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>506,889</u>
<i>Net Change in Fund Cash Balances</i>	168,271
<i>Fund Cash Balances, January 1</i>	<u>583,607</u>
<i>Fund Cash Balances, December 31</i>	<u>\$751,878</u>

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, 2015 AND 2014**

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 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 Ohio Plan Risk Management, Inc. (OPRM), 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 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 Board 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.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Park Recreation Fund – This fund receives shelter house rentals, grants, and general fund transfers to fund construction of the park.

3. Capital Project Fund

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 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:

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

Water Tower Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance the installation of a new water tower and distribution systems improvements.

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. 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 approve estimated resources.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 2015 and 2014 budgetary activity appears in Note 3.

F. 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:

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.

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.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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:

	2015	2014
Demand deposits	\$576,856	\$878,467

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,252	\$76,652	\$12,400
Special Revenue	32,050	48,614	16,564
Enterprise	264,718	289,209	24,491
Total	\$361,020	\$414,475	\$53,455

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,110	\$71,512	\$5,598
Special Revenue	23,450	75,333	(51,883)
Capital Projects	3,000		3,000
Enterprise	478,950	569,241	(90,291)
Total	\$582,510	\$716,086	(\$133,576)

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,988	\$64,578	(\$2,410)
Special Revenue	26,457	91,195	64,738
Enterprise	319,308	1,274,811	955,503
Total	\$412,753	\$1,430,584	\$1,017,831

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,210	\$67,756	\$22,454
Special Revenue	19,282	15,893	3,389
Enterprise	537,020	1,106,540	(569,520)
Total	\$646,512	\$1,190,189	(\$543,677)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction Maintenance and Repair Fund by \$37,528; Park Fund by \$16,355; Water Operating by \$24,849; Sewer Operating by \$48,043; Tower Fund by \$19,479; and Sewer Improvement Fund by \$343 as of December 31, 2015. Expenditures exceeded appropriation authority in the Swimming Pool Fund by \$913 and the Tower Fund by \$675,773 as of December 31, 2014. The Swimming Pool Fund and Tower Fund had appropriations in excess of total estimated revenue for the year 2014 by \$26,997 and \$91,145 respectively. The Swimming Pool Fund had negative fund balances as of December 31, 2015 and 2014 in the amounts of \$18,876 and \$11,197 respectively.

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.

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, 2015 AND 2014
(Continued)**

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4947	\$421,565	1.5%
Ohio Water Development Authority Loan #6612	420,260	2%
Ohio Public Works Commission Loan CM24N	146,074	
USDA Mortgage Revenue Bonds	1,092,000	4.125%
Truck Note	27,607	5.07%
Total	\$2,107,506	

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 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 the new water tower and distribution system improvements. The OWDA will finance up to \$538,324 to the Village for this project at an interest rate of 2%. The Village will repay the loan in semiannual installments over 30 years. Water tower receipts will collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan #2 relates to the water meter installation project.

The Village entered into loan with local bank in the amount of \$34,271 to purchase a truck for Village use. The loan will be repaid in five years.

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	OPWC Loan #CM24N	OWDA Loan #4947	OWDA Loan #6612	USDA Mortgage Revenue Bond	Truck Note
2016	\$5,512	\$20,982	\$19,417	\$59,045	\$9,496
2017	5,513	20,982	19,418	59,468	9,496
2018	5,512	20,981	19,417	59,849	9,496
2019	5,513	20,981	19,417	59,189	1,497
2020	5,512	20,981	19,417	59,529	
2021-2025	27,561	104,907	97,087	261,947	
2026-2030	27,561	104,907	97,087	296,974	
2031-2035	27,561	104,907	97,087	297,821	
2036-2040	27,561	83,924	97,087	297,605	
2041-2050	8,268		67,961	298,129	
2031-2032				290,599	
Total	<u>\$146,074</u>	<u>\$503,552</u>	<u>\$553,395</u>	<u>\$2,040,155</u>	<u>\$29,985</u>

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is 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. For 2015 and 2014, 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, 2015.

7. RISK MANAGEMENT

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

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

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT- (Continued)

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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

8. COMPLIANCE

- Contrary to the requirements of the Revised Code tax revenue due to the Park Fund was improperly credited to the Swimming Pool fund. In addition, Homestead and Rollback revenues due to the Park Fund were improperly credited to the General Fund. Also, State and Local Government Highway monies due to the Street Construction Maintenance and Repair Fund and State Highway Fund were incorrectly allocated to the General Fund.
- Contrary to Ohio law an improper transfer was made from the Capital Projects Fund to the Swimming Pool Fund.



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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2016 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 opinion 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 to be material weaknesses. We consider findings 2015-001, 2015-002 and 2015-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2015-002 through 2015-005.

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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 22, 2016

**VILLAGE OF MOUNT BLANCHARD
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Financial Monitoring

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Clerk/Treasurer performs most accounting functions. It is therefore important Council monitor financial activity closely.

While the Council does review all expenditures, and monitors financial activity, errors in posting was evident during 2015 and 2014.

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements. We noted posting errors, including the following:

- Homestead and Rollback receipts posted to taxes instead of intergovernmental in the General Fund in the amounts of \$14,878 and \$6,533 for FY 2015 and 2014, respectively.
- Park Grants posted to miscellaneous instead of intergovernmental in the Park Fund in the amount of \$16,628 during 2015.
- The Village failed to record loan proceeds and capital outlay expense for the issuing of debt and expense for the purchase of a truck in the General Fund, Water Fund, and Sewer Fund. Respective funds were adjusted to record \$8,568, \$12,852, and \$12,852 in note proceeds and capital outlay expenses during 2015.
- The Village failed to record Ohio Water District Authority loan proceeds and capital outlay expense in the Tower Fund for on behalf payments in the amount \$434,576 during 2014.
- Tower Fund Community Development Block Grant receipts in the amount of \$595,000 were posted to Charges for Services which was due to intergovernmental during 2014.
- Based on Governmental Accounting Standards Board (GASB) Statement No. 54, the Village misclassified assigned balance in the General Fund for 2015 and 2014 in the amounts of \$15,884 and \$12,858, respectively, as unassigned.

Adjusting entries were posted to the Village's financial statements and accounting records to correct these posting errors.

In order to ensure the financial activity of the Village is being properly accounted for Council should review the annual financial statements prepared by the Clerk/Treasurer for accuracy and completeness.

FINDING NUMBER 2015-002

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.14(E) provides that money may be transferred from the general fund to any other fund of the subdivision. As indicated by **1989 Op. Atty. Gen. No. 89-075**, a governing board is authorized to affect such a transfer provided a resolution is passed by a simple majority of the board members. The Village transferred \$5,000 from the General fund to the Park Fund during 2015 without approval. **Ohio Rev. Code §§ 5705.15 & .16** provide that the taxing authority of any political subdivision, with the approval of the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision.

The Village made an illegal transfer of \$3,430 out of Capital Projects Fund into the Swimming Pool Fund during 2014. The Council approved the transfer; however, approval for the transfer was not obtained from the Court of Common Pleas. The illegal transfers were the result of the lack of understanding of Ohio Revised Code requirements for transferring of funds. This resulted in inaccurate fund balances being reported on the financial statements. The Village has adjusted its fund balances for these errors.

We recommend the Village Council develop procedures to identify allowable transfers per the Ohio Revised Code, and for transfers not allowable, the Village Council should obtain the approval of the Court of Common Pleas prior to posting such transfers.

FINDING NUMBER 2015-003

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom.

The following funds had appropriations in excess of estimated resources for the fiscal year ended December 31, 2014:

General Fund \$678, Swimming Pool Fund \$26,997, and Water Tower Fund \$91,145.

Appropriating in excess of estimated resources may result in deficit spending.

We recommend, before Council approves annual appropriations and any subsequent modifications, they review the certificate of estimated resources to ensure the appropriation amounts do not exceed the estimated resource amounts.

FINDING NUMBER 2015-004

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than 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. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund contrary to **Ohio Rev. Code § 5705.10(I)**.

We noted errors such as the following:

- The Village posted \$11,297 and \$11,079 in taxes to the Swimming Pool Fund for fiscal years 2015 and 2014, respectively, which was due to the Park Fund.
- During 2015 and 2014, the Village posted Homestead and Rollback revenues in the amounts of \$477 and \$570, respectively, to the General Fund which was due to the Park Fund.
- During 2015, the Village posted \$2,880 of State and Local Government Highway monies to the General Fund, of which, \$2,664 and \$216 was due to Street Construction Maintenance and Repair Fund and State Highway Fund, respectively.

**FINDING NUMBER 2015-004
(Continued)**

This resulted in a misstatement of financial activity in the respective funds. Improper reporting of receipts and disbursements could cause management to draw inaccurate conclusions regarding its fiscal position. This was a result of a lack of oversight by the Village Council. Management has included audit adjustments in the accompanying financial statements and accounting records to correctly post this activity to the appropriate funds. As a result of the adjustments of tax revenue from the Swimming Pool Fund to the Park Fund, negative fund balances existed in the Swimming Pool Fund of \$18,876 and \$11,197 as of December 31, 2015 and 2014, respectively.

Financial activity should be properly reported in the accounting ledgers, so management can better assess whether or not financial goals are being met on an ongoing basis. As part of the monitoring process, management should review its records to make sure all amounts are properly reflected in the appropriate funds.

FINDING NUMBER 2015-005

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision from making any expenditure of money unless it has been properly appropriated.

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2015:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Street Construction and Maintenance	\$17,950	\$55,478	\$37,528
Park	3,500	19,855	16,355
Water Operating	80,000	104,849	24,849
Sewer Operating	91,000	139,043	48,043
Water Tower	250,000	269,479	19,479
Sewer Improvement	28,000	28,343	343

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31, 2014:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Swimming Pool	\$32,000	\$32,913	\$913
Water Tower	217,000	892,773	675,773

Failure to have adequate appropriations in place at the time the expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices. We recommend the Fiscal Officer not certify the availability of funds and deny payment requests when an expenditure would exceed appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Rev. Code § 135.18 for bank balances in excess of collateral	Fully Corrected.	
2013-002	Ohio Rev. Code § 5705.39 appropriations in excess of estimated resources.	Not corrected and reissued as Finding 2015-003 in this Report.	Council does not properly review certificates of estimated resources. Council has been asked to review the certificate of estimated revenues, and appropriations reports that are brought to monthly Council meeting for review.
2013-003	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Not corrected and reissued as Finding 2015-005 in this Report.	Council does not properly review budget vs. actual reports. Council has been asked to review the budget vs. actual that are brought to monthly Council meeting for review.
2013-004	Ohio Rev. Code § 5705.10(C), 5705.10(D), 5705.10(I) for expenditures exceeding appropriations.	Partially corrected and reissued as Finding 2015-004 in this Report.	Council does not properly review budget vs. actual reports. Council has been asked to review the budget vs. actual that are brought to monthly Council meeting for review.
2013-005	Material weakness due to lack of monitoring of financial activity.	Not corrected and reissued as Finding 2015-001 in this Report.	Council does not properly review receipts. Council has been asked to review receipts journals and source documents to ensure proper posting.

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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 15, 2016