



Dave Yost • Auditor of State



VILLAGE OF BLANCHESTER  
CLINTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Blanchester  
Clinton County  
318 East Main Street  
Blanchester, Ohio 45107

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 Blanchester, Clinton County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification on Regulatory Basis of Accounting***

The Village has outsourced insurance claims processing to a third party administrator. The financial statements report insurance claims expenses in the Self Insurance Fund (an internal service fund). The third party administrator did not provide us with information we request regarding the design or proper operation of its internal controls for 2015. We are therefore unable to satisfy ourselves as to the proper processing of health insurance claim disbursements, those claims represent 61% of the 2015 internal service fund disbursements.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Blanchester, Clinton County, Ohio as of December 31, 2016 and 2015 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 1.

***Other Matter***

As of December 31, 2016, the Village made payments from the Electric fund for purposes other than which the fund was established. Therefore the Auditor of State has issued findings for adjustments requiring that the funds benefitting from the erroneous payments repay the Electric fund. The Village has not made the required adjustments, and as of December 31, 2016 the Water Fund and the Sewer Funds owe \$348,430 and \$324,916, respectively, to the Electric Fund.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 2, 2018

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**Village of Blanchester**  
*Clinton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$488,317	\$63,880		\$552,197
Intergovernmental	150,115	194,836		344,951
Special Assessments	6,220		44,801	51,021
Charges for Services	0			0
Fines, Licenses and Permits	46,187	10		46,197
Earnings on Investments	37,010	12,492		49,502
Miscellaneous	16,356			16,356
<i>Total Cash Receipts</i>	<u>744,205</u>	<u>271,218</u>	<u>44,801</u>	<u>1,060,224</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	576,616	865		577,481
Public Health Services	3,292			3,292
Leisure Time Activities	68,797			68,797
Community Environment	16,741			16,741
Transportation		174,750		174,750
General Government	194,882			194,882
Capital Outlay		29,520	43,682	73,202
<i>Total Cash Disbursements</i>	<u>860,328</u>	<u>205,135</u>	<u>43,682</u>	<u>1,109,145</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(116,123)</u>	<u>66,083</u>	<u>1,119</u>	<u>(48,921)</u>
<i>Net Change in Fund Cash Balances</i>	(116,123)	66,083	1,119	(48,921)
<i>Fund Cash Balances, January 1</i>	<u>502,996</u>	<u>323,544</u>	<u>275,983</u>	<u>1,102,523</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	4,472	0	0	4,472
Restricted	0	389,627	277,102	666,729
Assigned	134,986	0	0	134,986
Unassigned (Deficit)	247,415			247,415
<i>Fund Cash Balances, December 31</i>	<u>\$386,873</u>	<u>\$389,627</u>	<u>\$277,102</u>	<u>\$1,053,602</u>

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

**Village of Blanchester**  
*Clinton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts</b>				
Charges for Services	\$9,317,447	\$650,541		\$9,967,988
Earnings on Investments			\$2,623	2,623
Miscellaneous	45			45
<i>Total Operating Cash Receipts</i>	<u>9,317,492</u>	<u>650,541</u>	<u>2,623</u>	<u>9,970,656</u>
<b>Operating Cash Disbursements</b>				
Personal Services	1,072,451			1,072,451
Employee Fringe Benefits	517,884			517,884
Contractual Services	6,216,458	261,590		6,478,048
Supplies and Materials	498,438			498,438
Claims		389,829		389,829
Other	43,750			43,750
<i>Total Operating Cash Disbursements</i>	<u>8,348,981</u>	<u>651,419</u>	<u>0</u>	<u>9,000,400</u>
<i>Operating Income (Loss)</i>	<u>968,511</u>	<u>(878)</u>	<u>2,623</u>	<u>970,256</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Intergovernmental	805,459			805,459
Other Debt Proceeds	319,286			319,286
Capital Outlay	(2,383,167)			(2,383,167)
Principal Retirement	(619,751)			(619,751)
Interest and Other Fiscal Charges	(144,120)			(144,120)
Other Financing Sources	553,413			553,413
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,468,880)</u>	<u>0</u>	<u>0</u>	<u>(1,468,880)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(500,369)</u>	<u>(878)</u>	<u>2,623</u>	<u>(498,624)</u>
<i>Fund Cash Balances, January 1</i>	<u>4,711,852</u>	<u>91,678</u>	<u>189,806</u>	<u>4,993,336</u>
<i>Fund Cash Balances, December 31</i>	<u>\$4,211,483</u>	<u>\$90,800</u>	<u>\$192,429</u>	<u>\$4,494,712</u>

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

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Blanchester, Clinton County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides electric, trash, water and sewer utilities, park operations, and police services. The Village purchases electric power from IMPA for resale to consumers.

***Jointly Governed Organization***

The Village participates in the Blanchester Marion Joint Fire District. Note 11 to the financial statements provides additional information for this entity.

***Public Entity Risk Pool***

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Street Construction, Maintenance and Repair Fund*** The street construction, maintenance and repair fund accounts for and reports the receipt of gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

***Permissive Tax Fund*** The permissive tax fund accounts for and reports the receipt of permissive motor vehicle tax for maintaining, and repairing Village streets.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Capital Project Fund** These funds account for and report financial resources that are restricted 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:

**Special Assessment** The special assessment fund accounts for and reports the receipt of special assessments used for capital outlay expenses.

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

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

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

**Electric Fund** The electric fund receives charges for services from residents to cover electric service costs.

**Internal Service Fund** This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

**Self-funded Insurance Medical Fund** The self-funded insurance medical fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

A summary of 2016 budgetary activity appears in Note 3.

**Deposits and Investments**

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

**Capital Assets**

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

**Accumulated Leave**

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

**Fund Balance**

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

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

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

***Committed*** Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**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. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget.

**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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 751,293	\$ 744,205	\$ (7,088)
Special Revenue	261,670	271,218	9,548
Debt Service	-	-	-
Capital Projects	44,801	44,801	-
Enterprise	11,441,228	10,995,650	(445,578)
Internal Service	650,541	650,541	-

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 885,057	\$ 860,352	\$ 24,705
Special Revenue	301,289	205,135	96,154
Debt Service	-	-	-
Capital Projects	230,925	43,682	187,243
Enterprise	14,107,577	11,496,019	2,611,558
Internal Service	619,232	651,419	(32,187)

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 4 – Deposits and Investments**

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

	2016
Demand deposits	<u>\$ 1,036,567</u>
Certificates of deposit	<u>4,283,800</u>
Total deposits	<u><u>\$ 5,320,367</u></u>

***Deposits***

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

**Note 5 – Taxes**

***Property Taxes***

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

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

**Note 6 - 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 Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 - 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 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
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](http://www.ohioplan.org).

***Self Insurance***

The Village is self-insured for employee health. The Self Insurance Fund pays covered claims to service providers and recovers these costs from charges to other funds.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.



**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Defined Benefit Pension Plans (continued)**

***Ohio Police and Fire Retirement System***

The Village's certified fire fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Those Village employees not contributing to OP&F or OPERS contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Waste Treatment Plant Upgrade-CJ804-OPWC	\$ 148,370	0.00%
Blanchester Downtown Water Main Replace-Ph-2-CJ14M-OPWC	356,058	0.00%
Wastewater System Improvements-CJ10K-OPWC	596,201	0.00%
Water Treatment Plant Improvements-CJ04P-OPWC	1,390,368	0.00%
Sanitary Sewer-Phase II-CJ04N-OPWC	1,038,875	1.00%
Wastewater System Improvements-Phase 3-CJ02O-OPWC	1,400,000	0.00%
Blanchester SR28 Water Main Replacement-CJ02L-OPWC	106,250	0.00%
Equalization Basin & Pump Station-5047-OWDA	32,452	0.00%
Water Pollution Control-5971-OWDA	906,062	1.00%
Water Pollution Control-6269-OWDA	728,455	1.00%
Drinking Water Fund-6490-OWDA	4,186,833	2.00%
OWDA Loan # 7229	27,670	0.00%
Sanitary Sewer Revenue Bonds	445,000	2.60-5.70%
Water System Improvement Bonds	1,000,000	3.25-4.90%
Total	<u>\$ 12,362,593</u>	

The Wastewater Treatment Plant - Ohio Public Works Commission (OPWC) Loan for the Blanchester WWTP was issued on July 1, 1998 in the amount of \$1,483,700 and matures July 1, 2018. The loan will be repaid in semiannual installments of \$37,092. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Downtown Water Main-Phase 2 – Ohio Public Works Commission (OPWC) Loan was funded in 2012 and the financed amount was set at \$403,084 at 0% and is set to mature in 2043. The loan will be repaid in semiannual installments of \$6,718. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Wastewater System Improvement-Phase 3 – Ohio Water Development Authority (OWDA) Loan was funded in 2012 and the financed amount was set at \$1,401,367 at 1% and is expected to mature in 2034. The loan is expected to be repaid in semiannual installments of \$38,742. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. As of December 31, 2016, \$174,656 is the balance on the loan. Since the full amount has not been disbursed and the loan has not been fully amortized, the future funding requirements for the retirement of this loan have not been included in the amortization schedule below.

The Sewer System Improvement Phase 2 – OWDA Loan was initiated in 2011 and the financed amount was set at \$1,328,562 at 1% and matures in 2032. The loan is expected to be repaid in semiannual installments of \$36,729. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 – Debt (continued)**

The State Route 28 Water Main Replacement – OPWC Loan was funded in 2012 and the financed amount was set at \$125,000 at 0% and is expected to mature in 2038. The loan is expected to be repaid in semiannual installments of \$2,083. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Equalization Basin (OWDA) relates to an upgrade to the Blanchester Wastewater project. The OWDA loan was issued on September 23, 2009 at 0% in the amount of \$49,926 and matures July 1, 2029. The first payment was made based on an estimated amortization prior to receiving grants that reduced the amount the Village needed to borrow. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Series 2009 Refunding Bonds in the amount of \$1,315,000 were issued to refund the remaining Sanitary Sewer Revenue Bonds that were issued December 1, 1993. The bonds were originally for the acquisition and development of sewer system improvements. The revenue and income of the Village's utilities have been pledged to repay these debts. As required by the Sewer Revenue Bond covenant, the Village has established and funded the required debt service replacement and improvement fund and debt service reserve, included as enterprise funds.

Water System Improvement Revenue Bonds were issued September 1, 2005 in the amount of \$1,795,000 and mature August 1, 2025. These bonds are for the various improvements to the Municipal water system; including, improvements to the water treatment plant and the distribution facilities. The revenue and income of the Village's utilities have been pledged to repay these debts. As required by the Water System Improvement Revenue Bond covenant, the Village has established and funded the required debt service reserve fund and debt service replacement and improvement fund, included as enterprise funds.

The Wastewater System Improvement-Phase 3 - Water Pollution Control (OWDA) related to controls water pollution. The OWDA loan was issued on January 1, 2012 at 2% in the amount of \$1,328,562 and matures January 1, 2032. The loan is expected to be repaid in semiannual installments of \$36,728. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Drinking Water Fund - Ohio Water Development Authority (OWDA) issued loan for WTP improvements. Loan was funded in 2015 and the financed amount was set at \$4,938,120 at 2% and is expected to mature in 2044. The loan is expected to be repaid in semiannual installments of \$38,742. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Wastewater System Improvement-Phase 3 - Ohio Public Works Commission (OPWC) Loan for the Blanchester WWTP was issued 2014 in the amount of \$1,500,000 and matures July 1, 2044. The loan will be repaid in semiannual installments of \$25,000. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Wastewater Treatment Plant - Ohio Public Works Commission (OPWC) Loan for the Blanchester WWTP was issued on November 13, 2012 in the amount of \$2,093,742 and matures January 1, 2045. The loan will be repaid in semiannual installments of \$24,392.42. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 – Debt (continued)**

***Amortization***

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

Year ending December 31:	OPWC Loans	OWDA Loans	Sanitary Sewer Revenue Bonds	Water System Improvement Bonds
2017	\$ 252,430	\$ 2,496	\$ 165,255	\$ 139,050
2018	252,430	2,496	158,875	139,910
2019	178,245	2,496	162,169	140,445
2020	178,245	2,496	-	140,645
2021	178,245	2,496	-	140,500
2022-2026	891,225	12,480	-	564,250
2027-2031	891,225	7,488	-	-
2032-2036	891,225	-	-	-
2036-2041	891,225	-	-	-
2042-2046	431,627	-	-	-
Total	<u>\$ 5,036,122</u>	<u>\$ 32,448</u>	<u>\$ 486,299</u>	<u>\$ 1,264,800</u>

***Debt Service Trust Funds***

The 2009 Sanitary Sewer Bond Refunding bond agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village has established this fund. The accompanying financial statements do not include these assets or the related receipts and disbursements.

The 2005 Water System Improvement trust agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village has established this fund. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**Note 10 – Contingent Liabilities**

The Village may be defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

**Note 11 – Jointly Governed Organization**

The Village participates in the Blanchester Marion Joint Fire District. A two-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Blanchester and Marion Township. The District provides fire protection and rescue services within District.

**Village of Blanchester**  
*Clinton 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)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$503,074	\$62,594		\$565,668
Intergovernmental	160,560	171,511		332,071
Special Assessments	900		44,934	45,834
Charges for Services	2,637			2,637
Fines, Licenses and Permits	47,415			47,415
Earnings on Investments	48,770	13,460		62,230
Miscellaneous	17,207	3,095		20,302
<i>Total Cash Receipts</i>	<u>780,563</u>	<u>250,660</u>	<u>44,934</u>	<u>1,076,157</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	553,197	1,385		554,582
Public Health Services	6,404			6,404
Leisure Time Activities	77,547			77,547
Community Environment	13,862			13,862
Transportation		206,817		206,817
General Government	206,524		3,953	210,477
Capital Outlay	27,445	6,000		33,445
<i>Total Cash Disbursements</i>	<u>884,979</u>	<u>214,202</u>	<u>3,953</u>	<u>1,103,134</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(104,416)</u>	<u>36,458</u>	<u>40,981</u>	<u>(26,977)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In			70,000	70,000
Transfers Out			(70,000)	(70,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Cash Balances, January 1</i>	<u>607,412</u>	<u>287,086</u>	<u>235,002</u>	<u>1,129,500</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	4,462	0	0	4,462
Restricted	0	323,544	275,983	599,527
Unassigned (Deficit)	498,534	0	0	498,534
<i>Fund Cash Balances, December 31</i>	<u>\$502,996</u>	<u>\$323,544</u>	<u>\$275,983</u>	<u>\$1,102,523</u>

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

**Village of Blancheser**  
*Clinton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts</b>				
Charges for Services	\$9,331,254	\$634,314		\$9,965,568
Miscellaneous	1,861	0		1,861
<i>Total Operating Cash Receipts</i>	<u>9,333,115</u>	<u>634,314</u>	<u>0</u>	<u>9,967,429</u>
<b>Operating Cash Disbursements</b>				
Personal Services	1,167,224			1,167,224
Employee Fringe Benefits	486,307			486,307
Contractual Services	6,515,094	226,329		6,741,423
Supplies and Materials	495,926			495,926
Claims		354,314		354,314
Other	47,453			47,453
<i>Total Operating Cash Disbursements</i>	<u>8,712,004</u>	<u>580,643</u>	<u>0</u>	<u>9,292,647</u>
<i>Operating Income (Loss)</i>	<u>621,111</u>	<u>53,671</u>	<u>0</u>	<u>674,782</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Intergovernmental	1,939,707			1,939,707
Earnings on Investments (proprietary funds only)	22			22
Capital Outlay	(2,408,766)			(2,408,766)
Principal Retirement	(604,849)			(604,849)
Interest and Other Fiscal Charges	(212,860)			(212,860)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,286,746)</u>	<u>0</u>	<u>0</u>	<u>(1,286,746)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(665,635)	53,671	0	(611,964)
Transfers Out	(70,000)			(70,000)
<i>Net Change in Fund Cash Balances</i>	(735,635)	53,671	0	(681,964)
<i>Fund Cash Balances, January 1</i>	<u>5,447,487</u>	<u>38,007</u>	<u>189,806</u>	<u>5,675,300</u>
<i>Fund Cash Balances, December 31</i>	<u>\$4,711,852</u>	<u>\$91,678</u>	<u>\$189,806</u>	<u>\$4,993,336</u>

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

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 -Reporting Entity**

The Village of Blanchester, Clinton County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides electric, trash, water and sewer utilities, park operations, and police services. The Village purchases electric power from IMPA for resale to consumers.

**Jointly Governed Organization**

The Village participates in the Blanchester Marion Joint Fire District. Note 11 to the financial statements provide additional information for this entity.

**Public Entity Risk Pool**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM)), a public entity risks pool. Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 -Summary of Significant Accounting Policies**

**Basis of Presentation**

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

**Fund Accounting**

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

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

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

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Street Construction, Maintenance, and Repair Fund** - The street construction, maintenance, and repair fund accounts for and reports the receipt of gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**Permissive Tax Fund** - The permissive tax fund accounts for and reports the receipt of permissive motor vehicle tax for maintaining, and repairing Village streets.

**Capital Project Funds** - These funds account for and report financial resources that are restricted 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 Funds which are mapped into the Enterprise Funds for reporting purposes:

**Special Assessment** - The special assessment fund accounts for and reports the receipt of special assessments used for capital outlay expenses.

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

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

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

**Electric Fund** - The electric fund receives charges for services from residents to cover electric service costs.

**Internal Service Fund** - This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

**Self-funded Insurance Medical Fund** - The self-funded insurance medical fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

**Fiduciary Funds** - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**Curless Trust Fund** - The Village's private purpose trust fund is for the benefit of the Village's recreation department.



**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2- Summary of Significant Accounting Policies (continued)**

**Basis of Accounting**

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

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

**Budgetary Process**

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

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

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

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

A summary of 2015 budgetary activity appears in Note 3.

**Deposits and Investments**

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

**Capital Assets**

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

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2- Summary of Significant Accounting Policies (continued)**

**Accumulated Leave**

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

**Fund Balance**

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

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

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

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

**Assigned** - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget.

**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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	791,289	780,563	(10,726)
Special Revenue	239,934	250,660	10,726
Capital Projects	44,934	44,934	0
Enterprise	11,578,541	11,272,844	(305,697)
Internal Service	600,644	634,314	33,670

2015 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	939,594	889,979	49,615
Special Revenue	294,018	214,202	79,816
Capital Projects	130,000	3,953	126,047
Enterprise	13,257,759	11,938,479	1,319,280
Internal Service	586,000	580,643	5,357

**Note 4 - Deposits and Investments**

The Village maintains a deposit and investments 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
Demand deposits	\$ 563,948
Certificates of deposit	\$5,084,936
Total Deposits	\$5,648,884

Deposits

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

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 5 - Taxes**

Property Taxes

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

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

**Note 6 - 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.

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.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 6- Risk Management (continued)**

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 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$4,830,185
Liabilities	(9,112,030)	
Members' Equity	\$5,531,637	\$5,887,681

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

**Self-Insurance**

The Village is self-insured for employee health. The Self-Insurance Fund pays covered claims to service providers and recovers these costs from charges to other funds.

**Note 7- Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Ohio Police and Fire Retirement System**

The Village's certified fire fighters and full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

**Social Security**

Those Village employees not contributing to OP&F or OPERS contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 7- Defined Benefit Pension Plans (Continued)**

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contribute 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 9 - Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Water Waste Treatment Plant Upgrade-CJ804-OPWC	\$ 222,555	0.00%
Blanchester Downtown Water Main Replace-Ph-2-CJ14M-OPWC	369,494	0.00%
Wastewater System Improvements-CJ10K-OPWC	619,582	0.00%
Water Treatment Plant Improvements-CJ04P-OPWC	1,439,153	0.00%
Sanitary Sewer-Phase II-CJ04N-OPWC	1,077,351	1.00%
Wastewater System Improvements-Phase 3-CJ020-OPWC	1,450,000	0.00%
Blanchester SR28 Water Main Replacement-CJ02L-OPWC	110,407	0.00%
Equalization Basin & Pump Station-5047-OWDA	33,700	0.00%
Water Main Replacement Phase 1 – 5920 – OWDA	14,041	2.00%
Water Pollution Control-5971-OWDA	937,373	1.00%
Water Pollution Control-6269-OWDA	737,750	1.00%
Drinking Water Fund-6490-OWDA	4,059,338	2.00%
Sanitary Sewer Revenue Bonds	580,000	2.60-5.70%
Water System Improvement Bonds	1,090,000	3.25-4.90%
<b>Total</b>	<b>\$12,740,744</b>	

The Wastewater Treatment Plant - Ohio Public Works Commission (OPWC) Loan for the Blanchester WWTP was issued on July 1, 1998 in the amount of \$1,483,700 and matures July 1, 2018. The loan will be repaid in semiannual installments of \$37,092. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Downtown Water Main-Phase 2 - Ohio Public Works Commission (OPWC) Loan was funded in 2012 and the financed amount was set at \$403,084 at 0% and is set to mature in 2043. The loan will be repaid in semiannual installments of \$6,718. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 9 – Debt (continued)**

The Wastewater System Improvement - Ohio Water Development Authority (OWDA) Loan was funded in 2012 and the financed amount was set at \$701,413 at 1% and is expected to mature in 2042. The loan is expected to be repaid in semiannual installments of \$11,690. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Wastewater Treatment Plant - Ohio Public Works Commission (OPWC) Loan for the Blanchester WWTP was issued on November 13, 2012 in the amount of \$2,093,742 and matures January 1, 2045. The loan will be repaid in semiannual installments of \$24,392.42. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Sewer System Improvement Phase 2- OWDA Loan was initiated in 2011 and the financed amount was set at \$1,328,562 at 1% and matures in 2032. The loan is expected to be repaid in semiannual installments of \$36,729. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Wastewater System Improvement-Phase 3 - Ohio Public Works Commission (OPWC) Loan for the Blanchester WWTP was issued 2014 in the amount of \$1,500,000 and matures July 1, 2044. The loan will be repaid in semiannual installments of \$25,000. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The State Route 28 Water Main Replacement - OPWC Loan was funded in 2012 and the financed amount was set at \$125,000 at 0% and is expected to mature in 2038. The loan is expected to be repaid in semiannual installments of \$2,083. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Equalization Basin (OWDA) relates to an upgrade to the Blanchester Wastewater project. The OWDA loan was issued on September 23, 2009 at 0% in the amount of \$49,926 and matures July 1, 2029. The first payment was made based on an estimated amortization prior to receiving grants that reduced the amount the Village needed to borrow. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Water Main Replacement Phase 1 (OWDA) relates to an upgrade to the Blanchester's water mains. The OWDA loan was issued on January 1, 2012 at 2% in the amount of \$743,179 and matures July 1, 2029. The loan is expected to be repaid in semiannual installments of \$22,634. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Wastewater System Improvement-Phase 3 - Water Pollution Control (OWDA) related to controls water pollution. The OWDA loan was issued on January 1, 2012 at 2% in the amount of \$1,328,562 and matures January 1, 2032. The loan is expected to be repaid in semiannual installments of \$36,728. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 9 – Debt (continued)**

The Wastewater System Improvement-Phase 3 – Water Pollution Control - Ohio Water Development Authority (OWDA) Loan was funded in 2012 and the financed amount was set at \$1,401,367 at 1% and is expected to mature in 2034. The loan is expected to be repaid in semiannual installments of \$38,742. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Drinking Water Fund - Ohio Water Development Authority (OWDA) issued loan for WTP improvements Loan was funded in 2015 and the financed amount was set at \$4,938,120 at 2% and is expected to mature in 2044. The loan is expected to be repaid in semiannual installments of \$38,742. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Series 2009 Refunding Bonds in the amount of \$1,315,000 were issued to refund the remaining Sanitary Sewer Revenue Bonds that were issued December 1, 1993. The bonds were originally for the acquisition and development of sewer system improvements. The revenue and income of the Village's utilities have been pledged to repay these debts. As required by the Sewer Revenue Bond covenant, the Village has established and funded the required debt service replacement and improvement fund and debt service reserve, included as enterprise funds.

Water System Improvement Revenue Bonds were issued September 1, 2005 in the amount of \$1,795,000 and mature August 1, 2025. These bonds are for the various improvements to the Municipal water system; including, improvements to the water treatment plant and the distribution facilities. The revenue and income of the Village's utilities have been pledged to repay these debts. As required by the Water System Improvement Revenue Bond covenant, the Village has established and funded the required debt service reserve fund and debt service replacement and improvement fund, included as enterprise funds.

**Amortization**

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



**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 9 – Debt (continued)**

Year Ending December 31:	OPWC Loans	OWDA Loan	Sanitary Sewer Revenue Bonds	Water System Improvement Bonds
2016	\$252,430	\$2,496	\$160,925	\$143,100
2017	252,430	2,496	165,255	139,050
2018	252,430	2,496	158,875	139,910
2019	178,245	2,496	162,169	140,445
2020	178,245	2,496		140,645
2021-2025	891,224	12,482		704,750
2026-2030	891,224	8,738		
2031-2035	891,224			
2036-2040	891,224			
2041-2045	609,873			
Total	5,288,549	33,700	647,224	1,407,900

**Debt Service Trust Funds**

The 2009 Sanitary Sewer Bond Refunding bond agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village has established this fund. The accompanying financial statements do not include these assets or the related receipts and disbursements.

The 2005 Water System Improvement trust agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village has established this fund. The accompanying financial statements do not include these assets or the related receipts and disbursements.

**Note 10- Contingent Liabilities**

The Village may be defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 11 -Jointly Governed Organization**

The Village participates in the Blanchester Marion Joint Fire District. A two-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Blanchester and Marion Township. The District provides fire protection and rescue services within District.

**Village of Blanchester, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 12 – Restatement of Fund Balance**

The restatement is due to the Village bringing the Curless Trust Fund Balance onto the financials.

Fund Balance Curless Trust Agency Fund December 31, 2014	\$0
Adjustment:	
Restatement of Fund Balance	\$189,806
Restated Fund Balance December 31, 2014	\$189,806



# 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 Blanchester  
Clinton County  
318 East Main Street  
Blanchester, Ohio 45107

To the Village of Blanchester:

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 Blanchester, Clinton County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on the 2015 financial statements because the Village's third party administrator did not provide us with information regarding the processing of health insurance claims reported in the Villages internal service fund.

### ***Internal Control Over Financial Reporting***

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

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

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 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. We consider findings 2016-001 and 2016-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-003 and 2016-005 through 2016-006 described in the accompanying schedule of findings to be significant deficiencies.

***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 2016-002 and 2016-005.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

***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.

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 2, 2018

**VILLAGE OF BLANCHESTER  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness – Service Organization**

The Village has delegated its claims service activity, which is a significant accounting function, to the third-party administrator, Avalon Benefit Services. Statement on Standards for Attestation Engagements No. 16 Reporting on Controls at a Service Organization (SSAE No. 16) Report was obtained by Avalon for 2016, but none for 2015.

The Village has not established procedures to reasonably determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that claims service activity has not been completely and accurately processed for the period not covered by the SSAE No. 16 SOC 1 report. The Village did not obtain a copy of the 2016 report until requested for audit, and had not reviewed the report which indicated an instance of a control failure.

The third party administrator did not provide the Village with the information regarding the design or proper operation of its internal controls for 2015. Claims accounted for \$354,314 (61%) of expenditures and we were unable to obtain sufficient audit evidence supporting completeness and accuracy of these amounts recorded as insurance claims expense in the self-insurance fund, as a result, we have modified our opinion.

The Village has also delegated its investment decisions, which are a significant accounting function, to the third-party administrator, People's Bank. At December 31, 2016, the Village had \$2,308,800 invested with People's Bank, which accounts for 43% of the Village's total deposit amount.

The Village also uses People's as its debt trustee bank for the payment of the following debt and related reserve accounts:

- 2005 Water System Improvement Revenue Bonds
- 2009 Sewer Bond Refunding

At December 31, 2016 the remaining balances of these debts totaled \$1,445,000, which account for 12% of all of the Village's debts.

The Village has not established procedures to reasonably determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that debt payments and investment transactions have been completely and accurately processed. We were, however, able to perform alternative procedures to meet audit objectives related to the debt trustee and investment transactions.

The Village should implement procedures to reasonably assure the completeness, of investment and debt payment activity processed by People's and the completeness and accuracy of claims service activity processed by Avalon Benefit Services. SSAE No. 16 prescribes standards for reporting on service organizations. An unmodified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the Village with reasonable assurance that investing, and debt trustee services are being processed in accordance with their respective contract.

**FINDING NUMBER 2016-001  
(Continued)**

Where alternative procedures cannot be performed to meet objectives, we recommend the Village specify in contracts with their service organizations that an annual Type Two Service Organization Report (SOC) 1 audit be performed. The Village should be provided a copy of the Type Two SOC 1 report timely and should review the report's content. A Type Two SOC 1 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. We recommend you only contract with a service organization that will provide you with such a report.

As an alternative to this report the Village may monitor claims its administrator processes. The Village can monitor these claims by obtaining reports of processed claims, selecting approved claims from the list, and then re-determining:

- The Claimant's eligibility
- The eligibility of the service
- Whether the amount paid was in accordance with the contract, net of deductibles.

This normally requires assistance from someone with sufficient understanding of health insurance.

**Officials' Response:**

Fiscal Officer will continue in attempts to request third-party claims processing to perform annual audits rather than bi-annual audits.

**FINDING NUMBER 2016-002**

**Noncompliance Citation / Finding for Recovery Repaid Under Audit – Credit Card Expenditures**

State ex rel. McClure V. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We identified 51 credit card expenditures that were not supported by receipts totaling \$7,467.15. Of these expenditures, we were able to perform alternative procedures to determine \$7,023.05 was expended for a proper public purpose. We were unable to determine if expenditures totaling \$444.10 were for a proper public purpose.

We also identified two instances where a receipt was provided however the purchase was not for a proper public purpose. These two receipts are a purchase made at Field & Stream for \$255.14 in 2015 for the purchase of clothing and a \$25 membership club to the Oceanaire Seafood Room in 2016 (this was part of an itemized receipt total). We have issued a finding for recovery for the amount of \$280.14.

**FINDING NUMBER 2016-002  
(Continued)**

Jim Myers, who served as Village of Blanchester Board of Public Affairs Business Manager approved the credit card invoices and submitted them for payment resulting in the finding. In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jim Myers, Board of Public Affairs (BPA) Business Manager, and his bonding company Ohio Risk Management, Inc, in the amount of \$724, and in favor of the Village of Blanchester BPA Electric Fund.

On May 21, 2018, Jim Myers paid \$724 to the Village of Blanchester BPA Electric Fund to repay this finding in full.

**Officials' Response:**

We did not receive a response from Officials to this finding

**FINDING NUMBER 2016-003**

**Significant Deficiency – Credit Card Policy**

If an entity has authority to secure and to use a credit card, the governing body should create and adopt a credit card use policy to strengthen and to maintain internal controls over credit card transactions. We identified the following conditions related to credit card usage by the Board of Public Affairs (Board):

- The Board did not maintain any supporting documentation for 51 expenditures totaling \$7,467.15. We were able to perform alternative audit procedures to determine that \$7,023.05 was expended for proper public purpose. We have issued a finding for recovery in Finding Number 2016-002, for the remaining \$444.10 unsupported charges
- The Board paid \$1,773 for 10 credit card expenditures that exceeded the General Services Administration recommended per diem rates for meal and incidental expenses.
- The Board paid \$767 for 14 credit card expenditures that did not have an itemized meal receipt.
- The Board had two instances where a receipt was provided, however the purchase was not for proper public purpose. These receipts were a \$25 membership club to the Oceanaire Seafood Room in 2016 (this was part of an itemized receipt total) and a clothing purchase from Field and Stream for \$255.14. We issued a finding for recovery in Finding Number 2016-002 for the amount of \$280.14.
- The Board did not provide copies of the February 2016 and November 2016 credit card statements.
- The Board did not have a policy that provided any guidance regarding what type of expenses were allowable.

Failure of the Board to provide detailed guidance regarding required supporting documentation, allowable expenses, and review of charges for reasonableness resulted in purchases that were not proper public purposes. The absence of an appropriate policy and thorough monitoring of this activity increases the risk of unauthorized and/or otherwise improper expenditures that do not further the public purpose of the entity and are likely to result in audit findings or other sanctions.

The Board approved a comprehensive credit card policy on February 23, 2017 that addresses all issues noted with the credit card usage.

**FINDING NUMBER 2016-003  
(Continued)**

**Officials' Response:**

We did not receive a response from Officials to this finding

**FINDING NUMBER 2016-004**

**Material Weakness – Accounting System**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following conditions in the Village's financial statements:

- The Village misclassified the 2015 restricted fund balances for the special revenue, debt service, and capital projects funds as unrestricted.
- The Village did not accurately and completely record Motor Vehicle and License (MVL) receipts, County levied Permissive Motor Vehicle and License (PMVL) receipts, capital outlay, (OWDA & OPWC) State Grant receipts, special assessment receipts, cable fees, and loan proceeds and disbursements, including on-behalf transactions.

These conditions resulted in the following adjustments:

<b>Year</b>	<b>Item</b>	<b>Amount</b>	<b>Proper Fund/ Classification</b>	<b>Fund/Classification Reported</b>
2015	Street License and State Highway Tax	\$ 28,100	Special Revenue - Intergovernmental	Special Revenue - Taxes
2015	On behalf of Payments	1,939,707	Enterprise - Intergovernmental	Capital Projects - Intergovernmental
2016	BMV Payments	63,880	Special Revenue - Taxes	Special Revenue - Intergovernmental
2016	On behalf of Payments	676,658	Enterprise - Intergovernmental	Capital Projects - Intergovernmental
2015	Storm Water Assessments	44,934	Capital Project Fund-Special Assessment Revenue	Capital Project Fund-Charges for Service
2016	Time Warner Cable Fees	36,637	General Fund - Fines, Licenses, Permits	General Fund - Misc Revenue
2016	OPWC On Behalf of Payment	128,801	Enterprise - Intergovernmental	Not Reported
2016	Matching Funds	271,372	Should not have been posted	Capital Projects – Intergovernmental
2016	Matching Funds	90,775	Should not have been posted	Enterprise – Capital Outlay
2016	Matching Funds	180,597	Should not have been posted	Capital Projects – Capital Outlay
2015	Fund Balance	189,806	Curless Trust Fund – Fund Balance	Not Reported

These adjustments were posted to the Village's accounting records and financial statements, as appropriate.



**FINDING NUMBER 2016-004  
 (Continued)**

Failure to completely and accurately post transactions resulted in inaccurate financial statements, and reduced Council's ability to monitor financial activity and make informed financial decisions.

We recommend that the Village review the Village Officer's Handbook to determine the accurate receipt and disbursements classifications. We also recommend that the Village implement controls to ensure that all pass-through grants and loans are recorded in the Village's records.

**Officials' Response:**

The Fiscal Officer contracted with an outside CPA agency for assistance in processing the Village of Blanchester Annual Financial Reports for both 2016 and 2017 to ensure fund classifications were reported more accurately going forward. The Fiscal Officer will continue to seek ways to improve accuracy of receipt and disbursement classifications as suggested.

**FINDING NUMBER 2016-005**

**Noncompliance Citation / Significant Deficiency - Disbursement Allocations**

Ohio Rev. Code, §5705.10, provides that money paid into a fund shall be used only for the purpose for which such a fund is established.

Employee time should be carefully documented and verified as eligible for payment from the fund from which it is paid. If circumstances are such that it is impossible to prorate employee time, then their compensation should be paid from the General Fund. Failure to adequately document time could result in a restricted fund paying for work that is not for the purpose for which the fund was established.

*Board of Public Affairs (BPA) Payroll Allocation*

Several employees in the BPA office were paid from the Electric Fund. However, these individuals also perform work related to the Sewer, and Water departments. An allocation to prorate the employees' pay to the enterprise funds was performed.

The adjustments are as follows:

<b>BPA Payroll Expenditure Re-Allocation</b>			
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>
2015 Payroll Allocation	(\$90,045)	\$66,369	\$23,676
2016 Payroll Allocation	(\$78,611)	\$50,350	\$28,261

*Street Department Payroll Allocation*

Street employees were paid from various funds; however, time card documentation did not agree to the allocation of payroll paid from each fund. During the audit, information was compiled from the street department employee time cards to determine an allocation to prorate the street department employees' payroll as follows:

<b>Street Department Payroll Expenditure Re-Allocation</b>			
	<b>Street Fund</b>	<b>Solid Waste Fund</b>	<b>State Hwy Fund</b>
2015 Payroll Allocation	\$18,439	(\$5,945)	(\$12,494)

**FINDING NUMBER 2016-005  
 (Continued)**

*BPA Expenditures Posted to Electric Fund*

We identified that certain BPA supplies and equipment expenditures were paid from the Electric Fund. However, these expenditures benefited other BPA funds. We determined an allocation to prorate the supplies and equipment expenditures to the correct enterprise fund based on vehicle and equipment usage. The adjustments are as follows:

<b>BPA Supplies and Equipment Expenditure Re-Allocation</b>			
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>
2015 Supplies/Equipment Expenditure Allocation	(\$67,607)	\$24,704	\$42,903
2016 Supplies/Equipment Expenditure Allocation	(\$35,119)	\$17,127	\$17,992

The Village should ensure that payroll and disbursements paid from restricted funds are documented and accurately allocated. The Village posted audit adjustments to the financial statements and accounting records to accurately reflect Street employees' payroll and disbursements to the proper funds. However the Village did not post audit adjustments to the financial statements or accounting records to correct the payroll and supplies and equipment allocation for the BPA funds.

These adjustments were not posted to the Village accounting records. Therefore, in accordance with the foregoing facts, we hereby issue a finding for adjustment in the amount of \$158,550 against the Water Fund and \$112,832 against the Sewer Fund, in favor of the Electric Fund for \$271,382.

The Village has also not posted findings for adjustments from the prior audit. Therefore, In accordance with the foregoing we hereby issue a finding for adjustment in the amount of \$189,880 against the Water Fund and \$212,084 against the Sewer Fund and in favor of the Electric Fund for \$401,964.

**Officials' Response:**

Due to debt obligations, increasing expenses, and additional completed fund balance adjustments resulting from the 2013-2014 audit within the Sewer and Water Funds, the Village was unable to post recommended audit adjustments to said funds from the 2013-2014 audit and will be unable to post recommended audit adjustments to same said funds immediately from the 2015-2016 audit. If recommended adjustments were processed in full at this time, the results would severely cripple and drain the financial standing of each fund in question resulting in deficit. We have placed recommended reporting systems within each Village department to more accurately reflect payroll allocation for payroll processing going forward. The Village has asked the State for advice regarding these recommended audit adjustments as we do not foresee the ability to post these adjustments at this time or anytime in the next few years and fear the adjustment accumulations will compound placing these funds into a more precarious position in future audits. We have been advised as reflected in Auditor of State Conclusion to establish a plan to repay the Electric Fund and will work to complete this recommendation as advised.

**FINDING NUMBER 2016-005  
(Continued)**

**Auditor of State Conclusion:**

Management is responsible for compliance with the Ohio Revised Code, which as stated in the finding, provides that money paid into a fund shall be used only for the purpose for which such a fund is established. Village management should cease the practice of making payments from funds for purposes other than which the fund was established. Village management should also establish a plan to repay the Electric Fund. The plan may cover multiple years and involve a careful review of disbursements and revenue sources in the funds making the repayment; however, the Electric fund should be reimbursed.

**FINDING NUMBER 2016-006**

**Significant Deficiency – Reconciliations**

A proper system of controls ensures that all bank and petty cash accounts are reconciled to the fund balance and financial statements.

We identified the following conditions:

- The unidentified remaining balance of the payroll fund in the Village's payroll account reconciliation at December 31, 2016 was \$35,522.74, and at December 31, 2015 \$67,709.41 which should reconcile to payroll withholdings held by the Village and not yet remitted.
- The petty cash accounts, totaling \$1,100, were not included in the Villages fund balance

The payroll checking account balance should agree to unremitted withholdings and outstanding checks. Failure to include the payroll account as part of the reconciliation resulted in the accumulation of funds in the Village payroll account.

Failure to include all the necessary financial information on the Financial Statements misleads the users of the statements.

**Officials' Response:**

The Village converted to the Auditor of State of Ohio Uniform Accounting Network (UAN) financial software mid-2017 which eliminated the need for an additional payroll checking account. The payroll checking account has a running balance currently that has not changed for several months as no further transactions were required to be processed through said checking account. Our office was instructed by state auditors that after a period of time has passed, the remaining unchanged balance of this checking account could be lawfully received into the General Fund of the Village. The Village is asking the State for advice regarding timing and the proper method in order to complete this transaction. Petty cash account reconciliations were added to the Fiscal Office monthly reconciliation listing as a result of the 2013-2014 audit which officially concluded in 2017.

**Auditor of State Conclusion:**

Village management is responsible for the accurate reconciliation of Village accounts. The Village was advised to, after a consistent unreconciled balance has been established; consult with their attorney to establish the basis for moving the balance to either Unclaimed Funds or to the General Fund.

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*Fiscal Officer*

*Street Department*



*John M Carman, Mayor*

*Parks & Recreation*

*Zoning Department*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Self-Insurance Fund Remitting and Controls	Corrected	
2014-002	Credit Card Expenditures With Lack Proper Public Purpose	Not Corrected	Reissued as 2016-002
2014-003	No Credit Card Policy or Support for Transactions	Partially Corrected	Created policy in 2017. More support for transactions added during 2016.
2014-004	Travel Expenses FFR	Partially Corrected	See Jim Myers Reimbursement Checks to the Village. Established a daily meal allowance policy in 2017.
2014-005	Service Organizations With No type 2 SSAE16 Reports	Not Corrected	Reissued as 2016-001
2014-006	Not Properly Disbursing Allocations	Not Corrected	Reissued as 2016-005
2014-007	Not Maintaining Proper Accounting System and Records	Not Corrected	Reissued as 2016-004
2014-008	Not Properly Reconciling the Payroll Account	Not Corrected	Reissued as 2016-006
2014-009	Illegal Transfer of Funds	Corrected	