



Dave Yost • Auditor of State

**BLANCHARD RIVER ENHANCEMENT PROJECT
HANCOCK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - For the Years Ended December 31, 2014 and 2013.....	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Blanchard River Enhancement Project
Hancock County
300 South Main Street
Findlay, Ohio 45840

To the Joint Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Blanchard River Enhancement Project, Hancock County, Ohio (the Project) as of and for the years ended December 31, 2014 and 2013.

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 Project'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 Project's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1B of the financial statements, the Project 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 Project 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 Project as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Blanchard River Enhancement Project, Hancock County, Ohio as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2015, on our consideration of the Project'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 Project's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 9, 2015

**BLANCHARD RIVER ENHANCEMENT PROJECT
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Cash Receipts:		
Special Assessments	\$1,942	\$85,492
Cash Disbursements:		
Capital Outlay	371,196	67,765
<i>Excess Receipts Over (Under) Disbursements</i>	(369,254)	17,727
Other Financing Receipts:		
Proceeds of Notes		400,000
<i>Net Change in Fund Cash Balance</i>	(369,254)	417,727
<i>Fund Cash Balance, January 1</i>	466,937	49,210
Fund Cash Balance, December 31		
Restricted	97,683	466,937
<i>Fund Cash Balance, December 31</i>	\$97,683	\$466,937

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

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**BLANCHARD RIVER ENHANCEMENT PROJECT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Blanchard River Enhancement Project, Hancock County, Ohio (the Project) as a body corporate and politic. The Project is directed by the County Commissioners of Hancock, Putnam, Allen, Wyandot, Hardin and Seneca Counties. The Hancock County Commissioners are designated as the contracting agency for all contracts regarding the maintenance project. The Project consists of removing log jams from the Blanchard River.

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

B. Accounting Basis

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

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

C. Budgetary Process

As a "District Authority", the Blanchard River Enhancement Project is only required to comply with the budgetary laws included in Ohio Revised Code § 5705.41.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The County Budget Commission must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**BLANCHARD RIVER ENHANCEMENT PROJECT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

**BLANCHARD RIVER ENHANCEMENT PROJECT
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Hancock County Auditor acts as the fiscal agent for the Project and the County Treasurer maintains a cash and investment pool used by all funds of the County, including those of the Project. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount on the County Auditor's records of the Project's fund balance was \$97,683 at December 31, 2014 and \$466,937 at December 31, 2013. The Hancock County Treasurer is responsible for maintaining adequate depository collateral for all funds in Hancock County's deposit accounts.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$745,017	\$401,650	\$343,367

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$509,091	\$474,547	\$34,544

4. NOTE PROCEEDS

Hancock County issued \$400,000 in notes in 2013 to fund a flood mitigation project. The Project received the proceeds of the notes to carry out the project. Repayment of the notes is the responsibility of Hancock County.

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

Blanchard River Enhancement Project
Hancock County
300 South Main Street
Findlay, Ohio 45840

To the Joint Board of County Commissioners:

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 Blanchard River Enhancement Project, Hancock County, Ohio (the Project) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2015 wherein we noted the Project followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Project'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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 Project's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Project'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Project's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Project's response and, accordingly, we express no opinion on it.

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 Project's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 9, 2015

**BLANCHARD RIVER ENHANCEMENT PROJECT
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

GASB 54 Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

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

The Blanchard River Enhancement Project (the Project) is maintained as a Special Revenue Fund. Special Revenue funds are used to account for and report financial resources that are restricted or committed.

Restricted fund balance constraints are externally imposed, typically by way of grant agreements, State statute, and debt covenants. Constraints placed on resources collected under the authority of State statute are identified in the respective section of the Ohio Revised Code. These constraints are sufficient to restrict fund balance.

The Project's 2014 and 2013 fund balances of \$97,683 and \$417,727, respectively, were classified as Unassigned and Assigned instead of Restricted.

These errors occurred as a result of a misinterpretation of GASB 54 requirements. Adjustments were recorded to the 2014 and 2013 financial statements to change the above differences in fund balance classification.

In order to ensure the Project's fund balances are reported in accordance with GASB 54, we recommend the Project review and follow Auditor of State Bulletin 2011-004.

Officials' Response:

For GASB 54, the guidelines and bulletins issued by the Auditor of State's Office for this type of fund are not explicit regarding fund balance classification. During previous engagements with the Auditor of State's Office, the classification of fund balance was not addressed. While the transactions of the fund were properly accounted as stated in previous reports, the classification of such fund balance is in question. After further review and discussion, it has been agreed upon that the future classification of fund balance for financial reporting will be Restricted.

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BLANCHARD RIVER ENHANCEMENT PROJECT

HANCOCK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 23, 2015