



Dave Yost • Auditor of State

VILLAGE OF VANLUE
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Vanlue
Hancock County
124 Center Street, P.O. Box 77
Vanlue, Ohio 45890-0077

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Vanlue, Hancock County, Ohio (the Village) 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 Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, 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 permitted 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015, 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

June 23, 2015

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue | Totals (Memorandum Only) |
|--|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$20,632 | | \$20,632 |
| Intergovernmental | 25,204 | \$15,104 | 40,308 |
| Special Assessments | | 10,262 | 10,262 |
| Fines, Licenses and Permits | 575 | | 575 |
| Earnings on Investments | 264 | 32 | 296 |
| Miscellaneous | 1,660 | | 1,660 |
| <i>Total Cash Receipts</i> | <u>48,335</u> | <u>25,398</u> | <u>73,733</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 22,504 | 10,531 | 33,035 |
| Public Health Services | 1,448 | | 1,448 |
| Leisure Time Activities | 2,124 | | 2,124 |
| Community Environment | 546 | | 546 |
| Transportation | 2,792 | 34,346 | 37,138 |
| General Government | 30,180 | 1,542 | 31,722 |
| Debt Service: | | | |
| Principal Retirement | 1,000 | | 1,000 |
| Interest and Fiscal Charges | 1,652 | | 1,652 |
| <i>Total Cash Disbursements</i> | <u>62,246</u> | <u>46,419</u> | <u>108,665</u> |
| <i>Excess of Disbursements Over Receipts</i> | <u>(13,911)</u> | <u>(21,021)</u> | <u>(34,932)</u> |
| Other Financing Disbursements | | | |
| Other Financing Uses | (432) | | (432) |
| <i>Net Change in Fund Cash Balances</i> | (14,343) | (21,021) | (35,364) |
| <i>Fund Cash Balances, January 1</i> | <u>92,559</u> | <u>62,074</u> | <u>154,633</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 41,053 | 41,053 |
| Unassigned | 78,216 | | 78,216 |
| <i>Fund Cash Balances, December 31</i> | <u>\$78,216</u> | <u>\$41,053</u> | <u>\$119,269</u> |

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

VILLAGE OF VANLUE
HANCOCK COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Enterprise</u> |
|---|-------------------------|
| Operating Cash Receipts | |
| Charges for Services | <u>\$199,953</u> |
| Operating Cash Disbursements | |
| Personal Services | 22,367 |
| Employee Fringe Benefits | 7,164 |
| Contractual Services | 36,192 |
| Supplies and Materials | <u>14,533</u> |
| <i>Total Operating Cash Disbursements</i> | <u>80,256</u> |
| <i>Operating Income</i> | <u>119,697</u> |
| Non-Operating Disbursements | |
| Capital Outlay | (557) |
| Principal Retirement | (43,691) |
| Interest and Other Fiscal Charges | <u>(46,854)</u> |
| <i>Total Non-Operating Disbursements</i> | <u>(91,102)</u> |
| <i>Net Change in Fund Cash Balances</i> | 28,595 |
| <i>Fund Cash Balances, January 1</i> | <u>294,588</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$323,183</u></u> |

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$20,444 | | \$20,444 |
| Intergovernmental | 37,126 | \$14,405 | 51,531 |
| Special Assessments | | 9,330 | 9,330 |
| Fines, Licenses and Permits | 250 | | 250 |
| Earnings on Investments | 354 | 43 | 397 |
| Miscellaneous | 397 | | 397 |
| <i>Total Cash Receipts</i> | <u>58,571</u> | <u>23,778</u> | <u>82,349</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 10,802 | 10,230 | 21,032 |
| Public Health Services | 1,451 | | 1,451 |
| Leisure Time Activities | 704 | | 704 |
| Community Environment | 205 | | 205 |
| Transportation | 75 | 13,989 | 14,064 |
| General Government | 28,482 | 1,635 | 30,117 |
| Capital Outlay | 4,200 | | 4,200 |
| Debt Service: | | | |
| Principal Retirement | 1,000 | | 1,000 |
| Interest and Fiscal Charges | 1,695 | | 1,695 |
| <i>Total Cash Disbursements</i> | <u>48,614</u> | <u>25,854</u> | <u>74,468</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>9,957</u> | <u>(2,076)</u> | <u>7,881</u> |
| Other Financing Receipts (Disbursements) | | | |
| Other Financing Sources | 2,644 | | 2,644 |
| Other Financing Uses | (547) | | (547) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>2,097</u> | | <u>2,097</u> |
| <i>Net Change in Fund Cash Balances</i> | 12,054 | (2,076) | 9,978 |
| <i>Fund Cash Balances, January 1</i> | <u>80,505</u> | <u>64,150</u> | <u>144,655</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 62,074 | 62,074 |
| Assigned | 10,823 | | 10,823 |
| Unassigned | 81,736 | | 81,736 |
| <i>Fund Cash Balances, December 31</i> | <u>\$92,559</u> | <u>\$62,074</u> | <u>\$154,633</u> |

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Enterprise |
|---|------------|
| Operating Cash Receipts | |
| Charges for Services | \$210,853 |
| Operating Cash Disbursements | |
| Personal Services | 22,115 |
| Employee Fringe Benefits | 6,772 |
| Contractual Services | 41,712 |
| Supplies and Materials | 13,442 |
| Other | 148 |
| <i>Total Operating Cash Disbursements</i> | 84,189 |
| <i>Operating Income</i> | 126,664 |
| Non-Operating Receipts (Disbursements) | |
| Miscellaneous Receipts | 48 |
| Capital Outlay | (14,871) |
| Principal Retirement | (42,284) |
| Interest and Other Fiscal Charges | (47,459) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (104,566) |
| <i>Net Change in Fund Cash Balances</i> | 22,098 |
| <i>Fund Cash Balances, January 1</i> | 272,490 |
| <i>Fund Cash Balances, December 31</i> | \$294,588 |

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

**VILLAGE OF VANLUE
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 Village of Vanlue, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and park operations. The Village contracts with Vanlue Fire Department to receive fire protection services.

The Village participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

capital projects. The Village had the following significant Special Revenue Funds:

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

Street Lighting Fund – This fund receives special assessment revenue to fund street lighting.

3. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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.

2. 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.

3. 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 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. At December 31, 2013, the Village's general fund assigned balance was made up of \$10,823 in encumbrances.

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

2. Equity in Pooled Deposits

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

| | 2014 | 2013 |
|--|-----------|-----------|
| Demand deposits | \$183,849 | \$190,874 |
| Other time deposits (savings and NOW accounts) | 258,603 | 258,347 |
| Total deposits | \$442,452 | \$449,221 |

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

3. Budgetary Activity

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

2014 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$59,151 | \$48,335 | (\$10,816) |
| Special Revenue | 26,550 | 25,398 | (1,152) |
| Enterprise | 228,000 | 199,953 | (28,047) |
| Total | \$313,701 | \$273,686 | (\$40,015) |

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|----------|
| General | \$69,234 | \$62,678 | \$6,556 |
| Special Revenue | 45,905 | 46,419 | (514) |
| Enterprise | 189,702 | 172,004 | 17,698 |
| Total | \$304,841 | \$281,101 | \$23,740 |

2013 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|------------|
| General | \$62,560 | \$61,215 | (\$1,345) |
| Special Revenue | 26,400 | 23,778 | (2,622) |
| Enterprise | 228,000 | 210,901 | (17,099) |
| Total | \$316,960 | \$295,894 | (\$21,066) |

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$67,961 | \$59,984 | \$7,977 |
| Special Revenue | 27,243 | 26,187 | 1,056 |
| Enterprise | 237,647 | 189,159 | 48,488 |
| Total | \$332,851 | \$275,330 | \$57,521 |

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2014 was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Ohio Public Works Commission Loan #CT430 | \$25,015 | |
| General Obligation Bonds (USDA #02) | 36,750 | 4.375% |
| Mortgage Revenue Bonds (USDA #04) | 1,817,320 | 2.5% |
| Ohio Water Development Authority Loan #5731 | 44,182 | 1.5% |
| Ohio Public Works Commission Loan #CM08J | 174,375 | |
| Total | \$2,097,642 | |

The Ohio Public Works Commission (OPWC) loan #CT430 is for the replacement of the wastewater pump lift station. The Village will repay the loan of \$27,794 in semiannual installments of \$695 over 20 years. The loan is collateralized by sewer receipts.

The Village issued general obligation bonds (USDA loan #02) to finance the purchase of a new town hall in 2007.

The USDA loan #04 relates to the new water distribution system. As of December 31, 2012, the Village received \$1,876,000. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a water debt reserve fund. The balance in the fund at December 31, 2014 is \$30,634.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

The OWDA loan #5731 relates to a cooperative agreement with the OWDA. The loan is for the construction of the water treatment plant and distribution system. The Village will repay the original loan of \$185,000 in semiannual installments of \$1,013, including interest, over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OPWC loan #CM08J relates to the water distribution system. The Village will repay the loan of \$225,000 in semiannual installments of \$5,625 over 20 years. The loan is collateralized by water receipts.

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

| Year ending December 31: | OPWC #CT430 | General Obligation Bonds | Mortgage Revenue Bonds | OWDA Loan | OPWC #CM08J |
|-----------------------------|-----------------|--------------------------------|------------------------------|-----------------|------------------|
| 2015 | \$1,390 | \$3,608 | \$75,878 | \$2,027 | \$11,250 |
| 2016 | 1,390 | 3,520 | 75,755 | 2,027 | 11,250 |
| 2017 | 1,390 | 3,433 | 75,878 | 2,027 | 11,250 |
| 2018 | 1,390 | 3,345 | 75,878 | 2,027 | 11,250 |
| 2019 | 1,390 | 3,258 | 75,878 | 2,027 | 11,250 |
| 2020-2024 | 6,948 | 14,977 | 379,171 | 10,133 | 56,250 |
| 2025-2029 | 6,948 | 15,658 | 379,296 | 10,133 | 56,250 |
| 2030-2034 | 4,169 | 3,947 | 379,308 | 10,133 | 5,625 |
| 2035-2039 | | | 379,321 | 10,133 | |
| 2040-2044 | | | 379,298 | 3,040 | |
| 2045-2049 | | | 379,369 | | |
| 2050-2051 | | | 151,756 | | |
| Total | <u>\$25,015</u> | <u>\$51,746</u> | <u>\$2,806,786</u> | <u>\$53,707</u> | <u>\$174,375</u> |

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

| | <u>2012</u> | <u>2013</u> |
|--------------|---------------------|---------------------|
| Assets | \$34,389,569 | \$34,411,883 |
| Liabilities | <u>(14,208,353)</u> | <u>(12,760,194)</u> |
| Net Position | <u>\$20,181,216</u> | <u>\$21,651,689</u> |

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

| <u>Contributions to PEP</u> | |
|-----------------------------|-------------|
| <u>2013</u> | <u>2014</u> |
| | |

VILLAGE OF VANLUE
HANCOCK COUNTY

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

| | |
|----------|----------|
| \$15,902 | \$16,744 |
|----------|----------|

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



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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

Village of Vanlue
Hancock County
124 Center Street, P.O. Box 77
Vanlue, Ohio 45890-0077

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Vanlue, Hancock County, Ohio (the Village) 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 23, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material

misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 23, 2015

**VILLAGE OF VANLUE
HANCOCK COUNTY**

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

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

FINDING NUMBER 2014-001

Material Weakness - Monitoring Village Financial Activity

A few transactions were improperly classified in 2014 and 2013 due to insufficient monitoring by management. The financial statements have been adjusted to reflect reclassifications as follows:

- Encumbrances in the general fund at December 31, 2013 were classified as unassigned fund balance instead of assigned fund balance in the amount of \$10,823.
- A refund of real estate taxes paid was posted to property taxes instead of other financing sources in the general fund in the amount of \$2,644 in 2013.

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

FINDING NUMBER 2014-002

Material Weakness – Utility Operations

The following weaknesses were noted with the utilities operations due to a computer problem and due to insufficient monitoring by management.

- \$9,408 (\$4,704 per year) was not billed for sewer services to businesses in 2014 and 2013.
- The \$150 charge for those not connected to water was not billed for 3 months in 2014.
- Late penalties fees were not charged for 2 months in 2014, nor did the Board or Council approve to waive the charge of the penalties.
- Not all utility computer reports are printed off each month, nor could the report be printed off at a later date.

The above deficiencies resulted in a loss to the Village. To help prevent further losses in the future, we recommend:

- The Utility Clerk compare the amount being billed each month to the standard flat rate times the number of residents/businesses to be sure the amount being billed is within reason. We recommend the Fiscal Officer and Board also monitor this. The officials should determine if they want to go back and charge for this amount.
- All charges and penalties should be billed unless waived by the Board or Council.
- All utility reports to support the billing, receipts, and delinquents be printed and maintained.

Officials' Response:

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

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**VILLAGE OF VANLUE
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 ND 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2012-001 | Ohio Rev. Code § 5705.41(D)(1) for failure to certify expenditures. | Yes | |
| 2012-002 | Material weakness due to errors in financial reporting. | No | Not corrected and reissued as Finding 2014-001 in this report. |

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VILLAGE OF VANLUE

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
JULY 9, 2015**