



**Auditor of State
Betty Montgomery**

VILLAGE OF VANLUE
HANCOCK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Vanlue
Hancock County
305 South Buffalo Street
P.O. Box 77
Vanlue, Ohio 45890-0077

To the Village Council:

We have audited the accompanying financial statements of the Village of Vanlue, Hancock County, (the Village) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 11, 2003

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,500			\$4,500
Special Assessments		\$9,085		9,085
Intergovernmental Receipts	60,375	11,147		71,522
Charges for Services	5			5
Fines, Licenses, and Permits	1,360			1,360
Earnings on Investments	2,817	341		3,158
Miscellaneous	37			37
	<u>69,094</u>	<u>20,573</u>		<u>89,667</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,600	7,714		13,314
Public Health Services	1,368			1,368
Leisure Time Activities	8,304			8,304
Community Environment	1,821			1,821
Transportation	9,062	5,016		14,078
General Government	30,910			30,910
Debt Service:				
Principal Payments			\$520	520
Capital Outlay	1,198			1,198
	<u>58,263</u>	<u>12,730</u>	<u>520</u>	<u>71,513</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>10,831</u>	<u>7,843</u>	<u>(520)</u>	<u>18,154</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			520	520
Transfers-Out	(520)			(520)
	<u>(520)</u>		<u>520</u>	
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	10,311	7,843		18,154
Fund Cash Balances, January 1	<u>101,121</u>	<u>33,758</u>		<u>134,879</u>
Fund Cash Balances, December 31	<u>\$111,432</u>	<u>\$41,601</u>		<u>\$153,033</u>
Reserves for Encumbrances, December 31	<u>\$698</u>	<u>\$374</u>		<u>\$1,072</u>

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$39,767
Fines, License and Permits	640
Total Operating Cash Receipts	40,407
Operating Cash Disbursements:	
Personal Services	9,639
Fringe Benefits	18
Contractual Services	7,002
Supplies and Materials	2,069
Total Operating Cash Disbursements	18,728
Operating Income	21,679
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	25
Non-Operating Cash Disbursements:	
Debt Service - Principal	7,500
Debt Service - Interest	7,750
Total Non-Operating Cash Disbursements	15,250
Net Receipts Over Disbursements	6,454
Fund Cash Balances, January 1	65,434
Fund Cash Balances, December 31	\$71,888
Reserve for Encumbrances, December 31	\$11

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,312			\$4,312
Special Assessments		\$8,758		8,758
Intergovernmental Receipts	55,031	10,701		65,732
Fines, Licenses, and Permits	160			160
Earnings on Investments	3,218	395		3,613
Miscellaneous	673			673
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	63,394	19,854		83,248
Cash Disbursements:				
Current:				
Security of Persons and Property	5,600	5,118		10,718
Public Health Services	1,605	55		1,660
Leisure Time Activities	2,179			2,179
Community Environment	1,694			1,694
Transportation	17,322	7,709		25,031
General Government	35,452			35,452
Debt Service:				
Principal Payments			\$520	520
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	63,852	12,882	520	77,254
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(458)	6,972	(520)	5,994
Other Financing Receipts and (Disbursements):				
Transfers-In		290	520	810
Transfers-Out	(2,980)			(2,980)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,980)	290	520	(2,170)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,438)	7,262		3,824
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	104,559	26,496		131,055
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$101,121	\$33,758		\$134,879
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$121			\$121
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$41,990
Operating Cash Disbursements:	
Personal Services	10,073
Travel Transportation	100
Contractual Services	7,101
Supplies and Materials	2,224
Total Operating Cash Disbursements	19,498
Operating Income	22,492
Non-Operating Cash Disbursements:	
Debt Service - Principal	7,000
Debt Service - Interest	8,100
Total Non-Operating Cash Disbursements	15,100
Excess of Receipts Over Disbursements Before Interfund Transfers	7,392
Transfers-in	2,170
Net Receipts Over Disbursements	9,562
Fund Cash Balances, January 1	55,872
Fund Cash Balances, December 31	\$65,434
Reserve for Encumbrances, December 31	\$154

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Vanlue, Hancock County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utilities and park operations. The Village contracts with Vanlue Fire Department, Inc. to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Bond Retirement Fund -This fund receives transfers from the General Fund to pay an OWDA loan.

4. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$219,921	\$195,313
Certificates of deposit	5,000	5,000
Total deposits	\$224,921	\$200,313

Deposits are either 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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,013	\$69,094	\$81
Special Revenue	19,730	20,573	843
Debt Service	520	520	
Enterprise	44,000	40,432	(3,568)
Total	\$133,263	\$130,619	(\$2,644)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$166,717	\$59,481	\$107,236
Special Revenue	50,848	13,104	37,744
Debt Service	520	520	
Enterprise	109,435	33,989	75,446
Total	\$327,520	\$107,094	\$220,426

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,711	\$63,394	\$1,683
Special Revenue	16,750	20,144	3,394
Debt Service	520	520	
Enterprise	43,000	44,160	1,160
Total	<u>\$121,981</u>	<u>\$128,218</u>	<u>\$6,237</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,785	\$66,953	\$100,832
Special Revenue	43,246	12,882	30,364
Debt Service	520	520	
Enterprise	97,359	34,752	62,607
Total	<u>\$308,910</u>	<u>\$115,107</u>	<u>\$193,803</u>

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$147,500	5%
Ohio Water Development Authority Loan	1,560	0%
Total	<u>\$149,060</u>	

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a cooperative agreement with the OWDA dated November 30, 1994. The loans will be repaid in annual installments of \$520, interest free, over 10 years. Payments are made from the Village's Bond Retirement Fund, which receives transfers from the General Fund to retire the debt.

The Mortgage Revenue Bonds relate to sewer improvements. Principal and interest is due January 1 of each year. Debt is retired thru the Sewer Fund. According to the debt agreement, the amount of one payment is maintained in a debt reserve fund. The amount in the debt reserve fund is maintained in the checking account.

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Mortgage Revenue Bonds</u>
2003	\$520	\$15,400
2004	520	15,000
2005	520	14,600
2006		15,200
2007		14,750
2008 – 2012		133,500
Total	<u>\$1,560</u>	<u>\$208,450</u>

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Vanlue
Hancock County
305 South Buffalo Street
P.O. Box 77
Vanlue, Ohio 45890-0077

To the Village Council:

We have audited the accompanying financial statements of the Village of Vanlue, Hancock County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 11, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 11, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MARCH 18, 2003**