



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF VANLUE
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2018	4
Notes to the Financial Statements For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2017	14
Notes to the Financial Statements For the Year Ended December 31, 2017	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Summary Schedule of Prior Audit Findings (Prepared by Management).....	26

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Vanlue, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 2 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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Vanlue, Hancock County, Ohio as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 21, 2019

Village of Vanlue, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$5,543		\$5,543
Municipal Income Tax	78,947		78,947
Intergovernmental	36,155	\$14,845	51,000
Special Assessments		14,826	14,826
Fines, Licenses and Permits	385		385
Earnings on Investments	5,471	672	6,143
Miscellaneous	101		101
<i>Total Cash Receipts</i>	<u>126,602</u>	<u>30,343</u>	<u>156,945</u>
Cash Disbursements			
Current:			
Security of Persons and Property	22,171	9,925	32,096
Public Health Services	538		538
Leisure Time Activities	3,608		3,608
Community Environment	183		183
Basic Utility Services	366		366
Transportation	3,484	11,051	14,535
General Government	55,457	793	56,250
<i>Total Cash Disbursements</i>	<u>85,807</u>	<u>21,769</u>	<u>107,576</u>
<i>Excess of Receipts Over Disbursements</i>	<u>40,795</u>	<u>8,574</u>	<u>49,369</u>
Other Financing Disbursements			
Other Financing Uses	(761)		(761)
<i>Net Change in Fund Cash Balances</i>	40,034	8,574	48,608
<i>Fund Cash Balances, January 1</i>	<u>180,340</u>	<u>62,884</u>	<u>243,224</u>
Fund Cash Balances, December 31			
Restricted		71,458	71,458
Assigned	17,758		17,758
Unassigned	202,616		202,616
<i>Fund Cash Balances, December 31</i>	<u>\$220,374</u>	<u>\$71,458</u>	<u>\$291,832</u>

See accompanying notes to the basic financial statements

Village of Vanlue, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	Enterprise
Operating Cash Receipts	
Charges for Services	\$212,187
Operating Cash Disbursements	
Personal Services	26,015
Employee Fringe Benefits	3,999
Contractual Services	34,795
Supplies and Materials	12,687
Other	197
<i>Total Operating Cash Disbursements</i>	77,693
<i>Operating Income</i>	134,494
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	300
Principal Retirement	(46,854)
Interest and Other Fiscal Charges	(43,690)
<i>Total Non-Operating Receipts (Disbursements)</i>	(90,244)
<i>Income before Transfers</i>	44,250
Transfers In	7,587
Transfers Out	(7,587)
<i>Net Change in Fund Cash Balances</i>	44,250
<i>Fund Cash Balances, January 1</i>	427,028
<i>Fund Cash Balances, December 31</i>	\$471,278

See accompanying notes to the basic financial statements

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Vanlue (the Village), Hancock County, 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 water and sewer utilities, and park operations. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village contracts with Vanlue Fire Department to receive fire protection services.

Public Entity Risk Pool

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.

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 or committed 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Lighting Fund The street lighting fund accounts for and reports street lighting assessments restricted for street lighting within the Village.

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

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

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 2018 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.

The Village values certificates of deposit at cost.

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.

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.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 (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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,837	\$126,602	\$41,765
Special Revenue	33,800	30,343	(3,457)
Enterprise	228,000	220,074	(7,926)
Total	\$346,637	\$377,019	\$30,382

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,862	\$86,568	\$8,294
Special Revenue	33,800	22,289	11,511
Enterprise	220,413	175,824	44,589
Total	\$349,075	\$284,681	\$64,394

Note 4 – 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:

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	<u>2018</u>
Demand deposits	\$269,682
Certificates of deposit	232,562
Other time deposits (savings accounts)	<u>260,866</u>
Total deposits	<u><u>\$763,110</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly via Findlay Income Tax Department, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Transfers

During 2018, the Village transferred \$7,587 from the Water Operating Fund to the Water Enterprise Debt Service Reserve Fund to meet its debt covenant requirement for the mortgage revenue bonds with the United States Department of Agriculture (USDA) loan #04 to set aside 10% of the reserve amount per year until the reserve equals one annual payment of principal and interest.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management

Risk Pool Membership

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.

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. 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims (the latest information available).

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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

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>2018 Contributions to PEP</u> \$14,935
--

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees 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, 2018.

Note 10 - Postemployment Benefits

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 11 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds (USDA Loan #04)	\$1,691,026	2.5%
Ohio Water Development Authority Loan #5731	38,581	1.5%
Ohio Public Works Commission Loan #CM08J	129,375	0%
Ohio Public Works Commission Loan #CT430	19,456	0%
Total	\$1,878,438	

The United States Department of Agriculture (USDA) loan #04 relates to the new water distribution system. The Village will repay the loan of \$1,876,000 in annual installments of approximately \$75,000, including interest, over 40 years. 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, 2018 is \$60,982.

The Ohio Water Development Authority (OWDA) loan #5731 relates to a cooperative agreement with the OWDA. The loan was for the construction of the water treatment plant and distribution system. The Village

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2018

will repay the 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 Ohio Public Works Commission (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.

The Ohio Public Works Commission (OPWC) loan #CT430 was 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.

Amortization

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

Year Ending December 31:	USDA Loan #04	OWDA Loan #5731	OPWC Loan #CM08J	OPWC Loan #CT430
2019	\$75,878	\$2,027	\$11,250	\$1,390
2020	75,764	2,027	11,250	1,390
2021	75,878	2,027	11,250	1,390
2022	75,878	2,027	11,250	1,390
2023	75,878	2,027	11,250	1,390
2024-2028	379,192	10,133	56,250	6,948
2029-2033	379,308	10,133	16,875	5,558
2034-2038	379,321	10,133		
2039-2043	379,335	5,066		
2044-2048	379,332			
2049-2051	227,632			
Total	<u>\$2,503,396</u>	<u>\$45,600</u>	<u>\$129,375</u>	<u>\$19,456</u>

This page intentionally left blank.

Village of Vanlue, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$22,285		\$22,285
Municipal Income Tax	82,607		82,607
Intergovernmental	37,405	\$14,686	52,091
Special Assessments		14,969	14,969
Charges for Services	150		150
Fines, Licenses and Permits	525		525
Earnings on Investments	2,977	58	3,035
Miscellaneous	5,208		5,208
<i>Total Cash Receipts</i>	<u>151,157</u>	<u>29,713</u>	<u>180,870</u>
Cash Disbursements			
Current:			
Security of Persons and Property	16,598	9,827	26,425
Public Health Services	1,128		1,128
Leisure Time Activities	3,116		3,116
Community Environment	18		18
Basic Utility Services	342		342
Transportation	1,819	10,529	12,348
General Government	43,082	1,187	44,269
Debt Service:			
Principal Retirement	32,749		32,749
Interest and Fiscal Charges	1,543		1,543
<i>Total Cash Disbursements</i>	<u>100,395</u>	<u>21,543</u>	<u>121,938</u>
<i>Excess of Receipts Over Disbursements</i>	<u>50,762</u>	<u>8,170</u>	<u>58,932</u>
Other Financing Disbursements			
Other Financing Uses	<u>(1,176)</u>		<u>(1,176)</u>
<i>Net Change in Fund Cash Balances</i>	49,586	8,170	57,756
<i>Fund Cash Balances, January 1</i>	<u>130,754</u>	<u>54,714</u>	<u>185,468</u>
Fund Cash Balances, December 31			
Restricted		62,884	62,884
Assigned	10,859		10,859
Unassigned	<u>169,481</u>		<u>169,481</u>
<i>Fund Cash Balances, December 31</i>	<u>\$180,340</u>	<u>\$62,884</u>	<u>\$243,224</u>

See accompanying notes to the basic financial statements

Village of Vanlue, Ohio
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$215,029
Operating Cash Disbursements	
Personal Services	25,313
Employee Fringe Benefits	4,647
Contractual Services	35,757
Supplies and Materials	18,191
Other	150
<i>Total Operating Cash Disbursements</i>	84,058
<i>Operating Income</i>	130,971
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	906
Capital Outlay	(3,370)
Principal Retirement	(46,032)
Interest and Other Fiscal Charges	(44,511)
Other Financing Uses	(628)
<i>Total Non-Operating Receipts (Disbursements)</i>	(93,635)
<i>Income before Transfers</i>	37,336
Transfers In	7,587
Transfers Out	(7,587)
<i>Net Change in Fund Cash Balances</i>	37,336
<i>Fund Cash Balances, January 1</i>	389,692
<i>Fund Cash Balances, December 31</i>	\$427,028

See accompanying notes to the basic financial statements

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Vanlue (the Village), Hancock County, 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 water and sewer utilities, and park operations. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village contracts with Vanlue Fire Department to receive fire protection services.

Public Entity Risk Pool

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.

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 or committed 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Lighting Fund The street lighting fund accounts for and reports street lighting assessments restricted for street lighting within the Village.

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

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

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 2017 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.

The Village values certificates of deposit at cost.

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.

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.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 (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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,641	\$151,157	(\$4,484)
Special Revenue	33,800	29,713	(4,087)
Enterprise	232,000	223,522	(8,478)
Total	\$421,441	\$404,392	(\$17,049)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$186,501	\$102,405	\$84,096
Special Revenue	33,800	21,644	12,156
Enterprise	226,713	187,929	38,784
Total	\$447,014	\$311,978	\$135,036

Note 4 – 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:

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	2017
Demand deposits	\$182,919
Certificates of deposit	227,507
Other time deposits (savings accounts)	259,826
Total deposits	\$670,252

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2017, \$20,335 of the Village's bank balance of \$489,121 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly via Findlay Income Tax Department, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Transfers

During 2017, the Village transferred \$7,587 from the Water Operating Fund to the Water Enterprise Debt Service Reserve Fund to meet its debt covenant requirement for the mortgage revenue bonds with the United States Department of Agriculture (USDA) loan #04 to set aside 10% of the reserve amount per year until the reserve equals one annual payment of principal and interest.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Risk Management

Risk Pool Membership

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.

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. 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 York. 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, 2017, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

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>2017 Contributions to PEP</u> \$14,702
--

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees 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, 2017.

Note 9 - Postemployment Benefits

OPERS offers 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds (USDA Loan #04)	\$1,723,809	2.5%
Ohio Water Development Authority Loan #5731	40,012	1.5%
Ohio Public Works Commission Loan #CM08J	140,625	0%
Ohio Public Works Commission Loan #CT430	20,846	0%
Total	\$1,925,292	

The United States Department of Agriculture (USDA) loan #04 relates to the new water distribution system. The Village will repay the loan of \$1,876,000 in annual installments of approximately \$75,000, including interest, over 40 years. 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, 2017 is \$53,395.

The Ohio Water Development Authority (OWDA) loan #5731 relates to a cooperative agreement with the OWDA. The loan was for the construction of the water treatment plant and distribution system. The Village will repay the 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.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Ohio Public Works Commission (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.

The Ohio Public Works Commission (OPWC) loan #CT430 was 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 United States Department of Agriculture (USDA) loan #02 for the purchase of a new town hall in 2007. USDA loan #02 was paid in full in December 2017.

Amortization

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

Year Ending December 31:	USDA Loan #04	OWDA Loan #5731	OPWC Loan #CM08J	OPWC Loan #CT430
2018	\$75,878	\$2,027	\$11,250	\$1,390
2019	75,878	2,027	11,250	1,390
2020	75,764	2,027	11,250	1,390
2021	75,878	2,027	11,250	1,390
2022	75,878	2,027	11,250	1,390
2023-2027	379,285	10,133	56,250	6,948
2028-2032	379,215	10,133	28,125	6,948
2033-2037	379,321	10,133		
2038-2042	379,335	7,093		
2043-2047	379,351			
2048-2051	303,491			
Total	<u>\$2,579,274</u>	<u>\$47,627</u>	<u>\$140,625</u>	<u>\$20,846</u>

This page intentionally left blank.



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

**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 cash balances, receipts, and disbursements by fund type of the Village of Vanlue, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 21, 2019 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 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 21, 2019

VILLAGE OF VANLUE
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness – Monitoring of Financial Reports

As part of the Village's internal controls, the Village should ensure there is adequate segregation of duties or compensating controls when segregation is not feasible. Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation.)

The Village Fiscal Officer is responsible for processing and entering Village transactions. The Council's review of reports showing support for the information entered is necessary to detect errors or irregularities, provide an effective checks and balance system, sufficiently monitor Village finances, and effectively safeguard the public's interests.

Due to deficiencies in internal controls, Council does not monitor Village reports to determine the required records were maintained and balanced with the bank. These records would include, revenue budget versus actual reports, detailed receipt ledgers, utility and income tax department reports, reconciliations between general ledger and subsidiary ledgers, utility adjustment reports, and bank statements. Insufficient monitoring could result in errors and irregularities or fraud occurring and not being timely detected.

Due to the size of the Village, segregating every function may not be financially feasible; however, careful consideration of which functions need to be separated should be completed. The Village Council should review their procedures and where possible take steps to include involvement of employees from another department handling one of the following functions: approval and review of the record keeping, authorization, custody, and reconciliation of accounts.

In addition, for those cycles for which segregation of duties is not feasible, Council should implement additional monitoring controls and take an active role in the operations of the Village, including, review of the following, at a minimum, to effectively monitor Village finances:

Budget vs Actual Reports for both revenues and expenditures broken down by account, detailed list of revenues and expenditures for the month, reconciliations between the general ledger and subsidiary ledgers, utility adjustment reports, and revenue reports from the utility and income tax departments, and bank reconciliations including supporting documentation. Council's review and approval of these reports should be noted in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 2921.42(A)(1) interest in a public contract.	Fully Corrected.	

OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 5, 2019**