VILLAGE OF VANLUE
HANCOCK COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

Mary Taylor, CPA
Auditor of State

VILLAGE OF VANLUE
HANCOCK COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 15, 2009

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Vanlue
Hancock County
124 Center 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, 2008 and 2007. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Vanlue, Hancock County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 15, 2009

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, 2008

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	$5,203		$5,203
Intergovernmental	74,483	$15,138	89,621
Special Assessments		7,759	7,759
Fines, Licenses and Permits	75		75
Earnings on Investments	4,048	493	4,541
Miscellaneous	115		115
Total Cash Receipts	83,924	23,390	107,314
Cash Disbursements:			
Current:			
Security of Persons and Property	8,640	7,849	16,489
Public Health Services	1,705		1,705
Leisure Time Activities	2,269		2,269
Community Environment	1,371		1,371
Transportation	11,606	14,457	26,063
General Government	54,882		54,882
Debt Service:			
Redemption of Principal	35,867		35,867
Interest and Fiscal Charges	2,869		2,869
Total Cash Disbursements	119,209	22,306	141,515
Total Cash Receipts Over/(Under) Cash Disbursements	(35,285)	1,084	(34,201)
Other Financing Receipts:			
Sale of Fixed Assets	24,250		24,250
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(11,035)	1,084	(9,951)
Fund Cash Balances, January 1	124,625	62,405	187,030
Fund Cash Balances, December 31	$113,590	$63,489	$177,079

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 - ENTERPRISE FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	Enterprise
Operating Cash Receipts:	
Charges for Services	$48,503
Operating Cash Disbursements:	
Personal Services	12,062
Employee Fringe Benefits	4,351
Contractual Services	45,393
Supplies and Materials	9,360
Total Operating Cash Disbursements	71,166
Operating Loss	(22,663)
Non-Operating Cash Receipts:	
Special Assessments	42,433
Other Debt Proceeds	192,450
Miscellaneous Receipts	137
Total Non-Operating Cash Receipts	235,020
Non-Operating Cash Disbursements:	
Redemption of Principal	201,450
Interest and Other Fiscal Charges	19,669
Total Non-Operating Cash Disbursements	221,119
Net Disbursements Over Receipts	(8,762)
Fund Cash Balances, January 1	134,471
Fund Cash Balances, December 31	$125,709

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, 2007

	Governmental Fund Types		
	General	**Special Revenue**	**Totals (Memorandum Only)**
Cash Receipts:			
Property and Local Taxes	$5,615		$5,615
Intergovernmental	75,530	$14,989	90,519
Special Assessments		7,728	7,728
Fines, Licenses and Permits	75		75
Earnings on Investments	11,583	1,319	12,902
Miscellaneous	31		31
Total Cash Receipts	92,834	24,036	116,870
Cash Disbursements:			
Current:			
Security of Persons and Property	8,640	7,876	16,516
Public Health Services	1,678		1,678
Leisure Time Activities	7,853		7,853
Community Environment	1,379		1,379
Transportation	11,411	10,415	21,826
General Government	132,007		132,007
Debt Service:			
Redemption of Principal	2,654		2,654
Total Cash Disbursements	165,622	18,291	183,913
Total Cash Receipts Over/(Under) Cash Disbursements	(72,788)	5,745	(67,043)
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Bonds	68,000		68,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(4,788)	5,745	957
Fund Cash Balances, January 1	129,413	56,660	186,073
Fund Cash Balances, December 31	$124,625	$62,405	$187,030

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 - ENTERPRISE FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Enterprise
Operating Cash Receipts:	
Charges for Services	$42,375
Operating Cash Disbursements:	
Personal Services	12,408
Employee Fringe Benefits	3,125
Contractual Services	36,699
Supplies and Materials	3,213
Total Operating Cash Disbursements	55,445
Operating Loss	(13,070)
Non-Operating Cash Receipts:	
Special Assessments	39,519
Other Debt Proceeds	192,450
Miscellaneous Receipts	399
Total Non-Operating Cash Receipts	232,368
Non-Operating Cash Disbursements:	
Redemption of Principal	201,450
Interest and Other Fiscal Charges	16,475
Total Non-Operating Cash Disbursements	217,925
Net Receipts Over Disbursements	1,373
Fund Cash Balances, January 1	133,098
Fund Cash Balances, December 31	$134,471

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

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 sewer utilities and park operations. The Village contracts with the 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

Water Fund - This fund receives special assessments from residents for the purpose of planning a water system.

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. 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.

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:

	2008	2007
Demand deposits	$302,788	$321,501

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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 96,027	$108,174	$ 12,147
Special Revenue	23,500	23,390	(110)
Enterprise	89,320	283,523	194,203
Total	$208,847	$415,087	$206,240

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$192,474	$119,209	$73,265
Special Revenue	85,905	22,306	63,599
Enterprise	223,790	292,285	(68,495)
Total	$502,169	$433,800	$68,369

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$162,523	$160,834	($ 1,689)
Special Revenue	24,128	24,036	(92)
Enterprise	90,800	274,743	183,943
Total	$277,451	$459,613	$182,162

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$198,052	$165,622	$32,430
Special Revenue	75,560	18,291	57,269
Enterprise	222,520	273,370	(50,850)
Total	$496,132	$457,283	$38,849

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Fund by $175,859 and $166,309 for the years ended December 31, 2008 and 2007, respectively.

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.

4. PROPERTY TAX (Continued)

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, 2008 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	$105,500	5.00%
Bank Loan	192,450	floating rate
Tractor Loan	17,694	0.00%
General Obligation Bond	42,750	4.375%
Ohio Water Development Authority Loan #3904	229,713	5.28%
Total	$588,107	

The mortgage revenue bonds relate to sewer improvements. Principal and interest is due January 1 of each year. The Debt is retired through the sewer fund. According to the debt agreement, the amount of one payment is maintained in a debt reserve fund.

The Village entered into a bank loan agreement to purchase land for the water system and additional moneys needed in excess of OWDA funding in 2006. This loan was refinanced in 2007 and 2008. This loan was extended until September 30, 2009 and may be rolled up into an OWDA or USDA loan.

In 2007, the Village entered into an agreement to finance a tractor and loader in the amount of $31,747 at 0% interest for 36 months.

The Village issued general obligation bonds to finance the purchase of a new town hall in 2007.

The OWDA loan #3904 relates to a cooperative agreement with the OWDA dated June 26, 2003. The loan is for water distribution system planning and design. As of December 31, 2008, the Village received $192,500 plus capitalized interest of $37,213. The loan is collateralized by water receipts. The Village has agreed to set utility rates and special assessments sufficient to cover OWDA debt service requirements. Until the project planning is complete the total amount actually borrowed cannot be determined, as a result this loan is not included in the amortization schedule below.

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

5. DEBT (Continued)

Year ending December 31:	Mortgage Revenue Bonds	Bank Loan	Tractor Loan	General Obligation Bonds
2009	$ 15,275	$202,119	$ 9,732	$ 2,870
2010	14,775		7,962	2,827
2011	15,275			2,783
2012	14,725			2,739
2013	15,175			2,695
2014-2018	58,050			16,558
2019-2023				15,414
2024-2028				15,183
				7,242
Total	$133,275	$202,119	$17,694	$68,311

6. RETIREMENT SYSTEM

The Village's officials and 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

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

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

The Government 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

7. RISK MANAGEMENT (Continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (prior to January 1, 2006) or $3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will then reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	2007	2006
Assets	$37,560,071	$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	$20,219,246	$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately $15.9 million and $15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is $9,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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. The Village joined PEP in 2006.

7. RISK MANAGEMENT (Continued)

Contributions to PEP	
2006	$7,855
2007	$8,382
2008	$8,086

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Vanlue, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 15, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated July 15, 2009.

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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, providing an opinion 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 15, 2009.

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 15, 2009

VILLAGE OF VANLUE
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The Water Fund expenditures were in excess of appropriations at year end by the following amounts:

December 31,	Amount Appropriated	Amount Expended	Amount of Expenditures over Appropriations
2008	$66,805	$242,664	($175,859)
2007	$ 68,861	$235,170	($166,309)

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Village incurring a deficit spending situation. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Clients Response:

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

VILLAGE OF VANLUE
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	ORC § 5705.41(D) (1) requires expenditures to be certified.	No	Partially corrected. Reduced to management letter comment
2006-002	ORC § 5705.10(D) incorrect receipts postings and negative fund balances.	Yes	
2006-003	Material Weakness – Financial Reporting	No	Partially corrected. Reduced to management letter comment.

Mary Taylor, CPA
Auditor of State

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
AUGUST 6, 2009

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