



VILLAGE OF VANLUE
HANCOCK COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Vanlue, Hancock County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

October 13, 2023

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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, 2022

| | General | Special Revenue | Capital Projects | Combined Total |
|---|-------------------------|-------------------------|------------------------|-------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$5,572 | | | \$5,572 |
| Municipal Income Tax | 109,619 | | \$25,699 | 135,318 |
| Intergovernmental | 43,861 | \$41,817 | | 85,678 |
| Special Assessments | | 17,742 | | 17,742 |
| Fines, Licenses and Permits | 350 | | | 350 |
| Earnings on Investments | 1,409 | 172 | | 1,581 |
| Miscellaneous | 138 | 1,050 | | 1,188 |
| <i>Total Cash Receipts</i> | <u>160,949</u> | <u>60,781</u> | <u>25,699</u> | <u>247,429</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 21,677 | 21,146 | | 42,823 |
| Public Health Services | 1,105 | | | 1,105 |
| Leisure Time Activities | 3,976 | | | 3,976 |
| Community Environment | 391 | | | 391 |
| Basic Utility Services | 274 | 2,194 | | 2,468 |
| Transportation | 686 | 54,334 | | 55,020 |
| General Government | 47,515 | 24 | | 47,539 |
| Capital Outlay | 8,468 | | 999 | 9,467 |
| <i>Total Cash Disbursements</i> | <u>84,092</u> | <u>77,698</u> | <u>999</u> | <u>162,789</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>76,857</u> | <u>(16,917)</u> | <u>24,700</u> | <u>84,640</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 35,000 | | 35,000 |
| Transfers Out | (35,000) | | | (35,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(35,000)</u> | <u>35,000</u> | | |
| <i>Net Change in Fund Cash Balances</i> | 41,857 | 18,083 | 24,700 | 84,640 |
| <i>Fund Cash Balances, January 1</i> | <u>299,655</u> | <u>112,647</u> | <u>22,282</u> | <u>434,584</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$341,512</u></u> | <u><u>\$130,730</u></u> | <u><u>\$46,982</u></u> | <u><u>\$519,224</u></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, 2022

| | Enterprise |
|---|------------|
| Operating Cash Receipts | |
| Charges for Services | \$203,750 |
| Operating Cash Disbursements | |
| Personal Services | 29,396 |
| Employee Fringe Benefits | 4,691 |
| Contractual Services | 42,761 |
| Supplies and Materials | 26,461 |
| Other | 153 |
| <i>Total Operating Cash Disbursements</i> | 103,462 |
| <i>Operating Income</i> | 100,288 |
| Non-Operating Receipts (Disbursements) | |
| Miscellaneous Receipts | 4,094 |
| Principal Retirement | (44,023) |
| Interest and Other Fiscal Charges | (40,202) |
| Other Financing Uses | (89) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (80,220) |
| <i>Net Change in Fund Cash Balances</i> | 20,068 |
| <i>Fund Cash Balances, January 1</i> | 549,135 |
| <i>Fund Cash Balances, December 31</i> | \$569,203 |

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, 2022

Note 1 – Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 8 to the financial statements provide 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 all 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 funds assessed and received through property taxes to offset the cost of electricity for the Village's street lights and trimming of Village trees.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Other Capital Projects Fund The other capital projects fund accounts for and reports distributions to fund improvement projects in the Village.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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

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

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

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 (C). 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 (C) 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2022 budgetary activity appears in Note 4.

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.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund, Local Fiscal Recovery fund, Special Assessment Street Lighting fund, and Other Capital Projects fund for the year ended December 31, 2022. Additionally, contrary to Ohio law, the Village inappropriately recorded real estate tax receipts and special assessment receipts in the incorrect funds. In addition, contrary to Ohio law, the Village inappropriately allocated income tax receipts to the proper funds.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$182,895 | \$160,949 | (\$21,946) |
| Special Revenue | 88,049 | 95,781 | 7,732 |
| Capital Projects | | 25,699 | 25,699 |
| Enterprise | 219,987 | 207,844 | (12,143) |
| Total | \$490,931 | \$490,273 | (\$658) |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$104,775 | \$119,092 | (\$14,317) |
| Special Revenue | 98,200 | 77,698 | 20,502 |
| Capital Projects | | 999 | (999) |
| Enterprise | 235,535 | 187,776 | 47,759 |
| Total | \$438,510 | \$385,565 | \$52,945 |

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

| | 2022 |
|------------------------------|--------------------|
| Cash Management Pool: | |
| Demand deposits | \$888,427 |
| Certificates of deposit | 200,000 |
| Total deposits | \$1,088,427 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the village had no unremitted employee payroll withholdings.

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.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

At December 31, 2022, \$192,395 of deposits were not insured or collateralized. One of the Village's financial institutions participated in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Note 6 – 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, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Interfund Balances

During 2022, the Village transferred \$35,000 from the General Fund to the Street Construction, Maintenance and Repair Fund for street, sidewalk, and curb repair.

Note 8 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2022</u> |
|-----------------------|--------------|
| Cash and investments | \$42,310,794 |
| Actuarial liabilities | \$15,724,479 |

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Note 10 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 11 – Debt

Debt outstanding at December 31, 2022, was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Mortgage Revenue Bonds (USDA Loan #04) | \$1,551,613 | 2.50% |
| Ohio Public Works Commission Loan #CT430 | 14,592 | 0.00% |
| Ohio Water Development Authority Loan #5731 | 32,634 | 1.50% |
| Ohio Public Works Commission Loan #CM08J | 90,000 | 0.00% |
| Total | \$1,688,839 | |

The United States Department of Agriculture (USDA) loan #04 relates to the water distribution system. The Village will repay the loan of \$1,876,000 in annual installments 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, 2021 is \$76,156.

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 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 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 over 20 years. The loan is collateralized by sewer receipts.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Amortization

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

| Year Ending December 31: | USDA Loan #04 | OPWC Loan #CT430 | OWDA Loan #5731 | OPWC Loan #CM08J |
|-----------------------------|---------------------|---------------------|--------------------|---------------------|
| 2023 | \$ 75,878 | \$ 1,389 | \$ 2,027 | \$ 11,250 |
| 2024 | 75,774 | 1,390 | 2,027 | 11,250 |
| 2025 | 75,878 | 1,389 | 2,027 | 11,250 |
| 2026 | 75,878 | 1,390 | 2,027 | 11,250 |
| 2027 | 75,878 | 1,390 | 2,027 | 11,250 |
| 2028-2032 | 379,215 | 6,949 | 10,133 | 33,750 |
| 2033-2037 | 379,321 | 695 | 10,133 | |
| 2038-2042 | 379,335 | | 7,093 | |
| 2043-2047 | 379,351 | | | |
| 2048-2051 | 303,491 | | | |
| Total | <u>\$ 2,199,999</u> | <u>\$ 14,592</u> | <u>\$ 37,494</u> | <u>\$ 90,000</u> |

Note 12 – 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.

Note 13 – Related Party Transactions

Contrary to the requirements of the Ohio Revised Code, Village Council member Rebecca Nye did not abstain from voting on approving payments to her employer, A-1 Printing. The Village made payment of \$463 in 2022 to A-1 Printing.

Note 14 – Fund Balances

The fund balance of special revenue funds is either restricted or committed. The fund balance of the capital projects fund is restricted. These restricted and committed amounts in the special revenue and capital projects funds would include the outstanding encumbrances, if any. In the general fund, outstanding encumbrances, if any, are considered assigned.

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, 2021

| | General | Special Revenue | Capital Projects | Combined Total |
|--|------------------|--------------------|---------------------|-------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$4,172 | | | \$4,172 |
| Municipal Income Tax | 71,792 | | \$16,707 | 88,499 |
| Intergovernmental | 42,039 | \$44,741 | | 86,780 |
| Special Assessments | | 17,074 | | 17,074 |
| Fines, Licenses and Permits | 375 | | | 375 |
| Earnings on Investments | 907 | 111 | | 1,018 |
| Miscellaneous | 2,727 | 170 | | 2,897 |
| <i>Total Cash Receipts</i> | <u>122,012</u> | <u>62,096</u> | <u>16,707</u> | <u>200,815</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 21,018 | 10,000 | | 31,018 |
| Leisure Time Activities | 3,303 | | | 3,303 |
| Community Environment | 66 | | | 66 |
| Basic Utility Services | 255 | | | 255 |
| Transportation | 515 | 41,679 | | 42,194 |
| General Government | 53,902 | | | 53,902 |
| Capital Outlay | | 267 | | 267 |
| <i>Total Cash Disbursements</i> | <u>79,059</u> | <u>51,946</u> | | <u>131,005</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>42,953</u> | <u>10,150</u> | <u>16,707</u> | <u>69,810</u> |
| Other Financing (Disbursements) | | | | |
| Other Financing Uses | (162) | | | (162) |
| <i>Net Change in Fund Cash Balances</i> | 42,791 | 10,150 | 16,707 | 69,648 |
| <i>Fund Cash Balances, January 1</i> | <u>256,864</u> | <u>102,497</u> | <u>5,575</u> | <u>364,936</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$299,655</u> | <u>\$112,647</u> | <u>\$22,282</u> | <u>\$434,584</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, 2021

| | Enterprise |
|---|------------|
| Operating Cash Receipts | |
| Charges for Services | \$201,158 |
| Operating Cash Disbursements | |
| Personal Services | 28,358 |
| Employee Fringe Benefits | 4,411 |
| Contractual Services | 37,678 |
| Supplies and Materials | 27,801 |
| Other | 313 |
| <i>Total Operating Cash Disbursements</i> | 98,561 |
| <i>Operating Income</i> | 102,597 |
| Non-Operating Receipts (Disbursements) | |
| Miscellaneous Receipts | 3,925 |
| Capital Outlay | (2,380) |
| Principal Retirement | (55,758) |
| Interest and Other Fiscal Charges | (41,107) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (95,320) |
| <i>Net Change in Fund Cash Balances</i> | 7,277 |
| <i>Fund Cash Balances, January 1</i> | 541,858 |
| <i>Fund Cash Balances, December 31</i> | \$549,135 |

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, 2021

Note 1 – Reporting Entity

The Village of Vanlue (the Village), Hancock County, Ohio 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 Volunteer Fire Department to receive fire protection services.

Public Entity Risk Pool

The Village participates a public entity risk pool. Note 6 to the financial statements provide 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 all 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 Fund:

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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Other Capital Projects Fund The other capital projects fund accounts for and reports distributions to fund improvement projects in 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 Fund:

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2021 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:

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$137,711 | \$122,012 | (\$15,699) |
| Special Revenue | 81,549 | 62,096 | (19,453) |
| Capital Projects | 5,575 | 16,707 | 11,132 |
| Enterprise | 219,987 | 205,083 | (14,904) |
| Total | \$444,822 | \$405,898 | (\$38,924) |

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$145,925 | \$79,221 | \$66,704 |
| Special Revenue | 73,000 | 51,946 | 21,054 |
| Enterprise | 231,375 | 197,806 | 33,569 |
| Total | \$450,300 | \$328,973 | \$121,327 |

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

| | 2021 |
|-------------------------------------|-----------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$739,951 |
| Certificates of deposit | 243,768 |
| Total deposits | \$983,719 |

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village is had no unremitted employee payroll withholdings.

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, 2021, \$122,303 of deposits were not insured or collateralized. One of the Village’s financial institution participated in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2021</u> |
|-----------------------|---------------|
| Cash and investments | \$ 41,996,850 |
| Actuarial liabilities | \$ 14,974,099 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 8 – 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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

| | Principal | Interest Rate |
|--|-------------|---------------|
| Mortgage Revenue Bonds (USDA Loan #04) | \$1,587,795 | 2.50% |
| Ohio Public Works Commission Loan #CT430 | 15,287 | 0.00% |
| Ohio Water Development Authority Loan #5731 | 34,155 | 1.50% |
| Ohio Water Development Authority Loan #CM08J | 95,625 | 0.00% |
| Total | \$1,732,862 | |

The United States Department of Agriculture (USDA) loan #04 relates to the water distribution system. The Village will repay the loan of \$1,876,000 in annual installments 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, 2021 is \$76,156.

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 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 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 over 20 years. The loan is collateralized by sewer receipts.

Village of Vanlue, Ohio
Hancock County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Amortization

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

| Year Ending December 31: | USDA Loan #04 | OPWC Loan #CT430 | OWDA Loan #5731 | OPWC Loan #CM08J |
|-----------------------------|--------------------|---------------------|--------------------|---------------------|
| 2022 | \$75,878 | \$695 | \$2,027 | \$5,625 |
| 2023 | 75,878 | 1,389 | 2,027 | 11,250 |
| 2024 | 75,774 | 1,390 | 2,027 | 11,250 |
| 2025 | 75,878 | 1,389 | 2,027 | 11,250 |
| 2026 | 75,878 | 1,390 | 2,027 | 11,250 |
| 2027-2031 | 379,296 | 6,949 | 10,133 | 45,000 |
| 2032-2036 | 379,240 | 2,085 | 10,133 | |
| 2037-2041 | 379,335 | | 9,120 | |
| 2042-2046 | 379,350 | | | |
| 2047-2051 | 379,369 | | | |
| Total | <u>\$2,275,876</u> | <u>\$15,287</u> | <u>\$39,521</u> | <u>\$95,625</u> |

Note 10 – 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.

Note 11 – Fund Balances

The fund balance of special revenue funds is either restricted or committed. The fund balance of the capital projects fund is restricted. These restricted or committed amounts in the special revenue and capital projects funds would include the outstanding encumbrances, if any. In the general fund, outstanding encumbrances, if any, are considered assigned.

Note 12 – Compliance

Contrary to Ohio law, the Village inappropriately recorded permissive motor vehicle license tax receipts, gasoline tax receipts, motor vehicle registration fees, and income tax receipts in the incorrect funds in 2021. Additionally, contrary to Ohio law, the Village inappropriately allocated income tax receipts to the proper funds.

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88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

**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
127 Center Street
P.O. Box 77
Vanlue, Ohio 45890-0077

To the Village Council:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Vanlue, Hancock County, Ohio (the Village) and have issued our report thereon dated October 13, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-002 through 2022-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2022-001 through 2022-003.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 13, 2023

VILLAGE OF VANLUE
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the following funds had expenditures in excess of appropriations as of December 31, 2022:

- General Fund in the amount of \$14,317;
- Local Fiscal Recovery Fund in the amount of \$2,194;
- Street Lighting Special Assessments Fund in the amount of \$1,146; and,
- Other Capital Projects Fund in the amount of \$999.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2022-002

Material Weakness and Noncompliance

Village of Vanlue Ordinance No. 2015-12 Exhibit A Section 194.013 provides in part that funds collected under the provision of this chapter shall be disbursed as follows:

- (A) The part necessary to defray all costs of collecting the taxes, and the cost of administering and enforcing the provisions hereof.
- (B) The balance shall be disbursed, appropriated, and allocated as follows.
 - (1) Eighty-one percent (81%) to the General Fund.
 - (2) Nineteen percent (19%) to the CIT – Capital Improvement Fund.

Due to deficiencies in the Village's internal controls over the allocation of income tax revenue, the Village failed to correctly allocate the municipal income tax revenue received during the audit period. As a result, \$25,699 and \$16,707, were incorrectly recorded in the General Fund instead of the Village's CIT - Capital Improvement Fund, in 2022 and 2021, respectively. Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure the monthly receipts are properly allocated to the respective funds in accordance with the provisions above.

FINDING NUMBER 2022-003

Material Weakness and Noncompliance

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code or as otherwise provided by section 3315.40 of the Revised Code, all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

Due to a lack of controls over the posting of financial transactions, the following posting errors between funds were noted:

- In 2021, the Village inappropriately recorded \$3,700 of permissive motor vehicle license tax revenue received from the County Auditor in the Street Construction, Maintenance & Repair Fund as miscellaneous receipts. Given the source of the revenue, this should have been recorded in the Permissive Motor Vehicle License Tax Fund as intergovernmental receipts.
- In 2021, the Village inappropriately allocated a total of \$1,396 of gasoline tax revenue and motor vehicle registration fees as intergovernmental receipts in the State Highway Fund; these monies should have been recorded in the Street Construction Maintenance and Repair Fund. Revenues from these sources should be posted 92.5% to the Street Construction Maintenance and Repair (SCMR) Fund and 7.5% to the State Highway Fund in accordance with Ohio Rev. Code § 5735.28.
- In 2021, the Village inappropriately recorded \$566 in income tax receipts as special assessments receipts in the Street Lighting Fund instead of as income tax receipts in the General Fund.
- In 2022, the Village inappropriately recorded special assessment receipts in the General Fund, overstating Property Tax revenue by \$220, General Government expense by \$150, and understating Public Health Services expense by \$550. This should have been recorded in the Street Lighting fund as special assessments in the amount of \$620.
- In 2022, the Village inappropriately recorded \$2,232 of real estate tax revenue as Special Assessments in the Street Lighting Fund at the second real estate tax settlement. This should have been recorded in the General Fund as Property Tax receipts.

Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2022-004

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following financial statement error was noted:

In 2022, the Village incorrectly recorded local government receipts and income tax receipts as property tax receipts in the General Fund, resulting in an overstatement of property tax receipts in the amount of \$10,299, and an understatement of income tax receipts and intergovernmental receipts of \$61 and \$10,238, respectively.

An audit adjustment is reflected in the financial statements correcting this misstatement.

In addition to the error noted above, we also noted errors in other smaller amounts ranging from \$92 to \$4,453, that we have brought to the Village's attention.

Updates were also made to the following notes in both years:

- Summary of Significant Accounting Policies
- Budgetary Activity
- Deposits
- Risk Management
- Postemployment Benefits
- Debt
- Contingent Liabilities
- Fund Balance

Additionally, the following notes were added and/or updated in 2022:

- Compliance
- Interfund Balances
- Related-Party Transactions

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements and notes to the financial statements could lead to the Council making misinformed decisions.

The Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Council, to identify and correct errors and omissions.

Officials' Response:

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

VILLAGE OF VANLUE

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Robert Brooks, (Mayor)

Leo Hendricks, (Village Administrator)

Melinda Boyd, (Fiscal Officer)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022 AND 2021

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|--|--|
| 2020-001 | Finding was first issued in the 2020-2019 audit. Noncompliance with Ohio Rev. Code §5705.41(B) for expenditures exceeding appropriations. | Not corrected and reissued as Finding 2022-001 in this report. | Recurrence occurred due to inadequate policies and procedures in reviewing and approving budgetary amendments. Village Council will perform detailed reviews of budgetary information and approve amendments to prevent this from recurring. |
| 2020-002 | Finding was first issued in the 2018-2017 audit. Material weakness for lack of monitoring financial transactions resulting in errors in the financial statements. | Not corrected and reissued as Finding 2022-004 in this report. | The Fiscal Officer did not properly post receipts in both years of the audit period. Amounts deemed material were posted to the financial statements. |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF VANLUE

HANCOCK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/9/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov