



**VILLAGE OF VANLUE
HANCOCK COUNTY
REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2003-2004



**Auditor of State
Betty Montgomery**

VILLAGE OF VANLUE
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

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**Auditor of State
Betty Montgomery**

Village of Vanlue
Hancock County
305 S. Buffalo 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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 29, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Vanlue, Hancock County, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 Villages. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Vanlue, Hancock County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 29, 2005, 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.



Betty Montgomery
Auditor of State

September 29, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,574			\$4,574
Special Assessments		\$3,813		3,813
Intergovernmental Receipts	58,435	13,817		72,252
Fines, Licenses, and Permits	600			600
Earnings on Investments	1,761	215		1,976
Miscellaneous	1,233			1,233
				<hr/>
Total Cash Receipts	66,603	17,845		84,448
				<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,695	6,534		12,229
Public Health Services	1,486			1,486
Leisure Time Activities	5,411			5,411
Community Environment	1,559			1,559
Transportation	4,591	9,709		14,300
General Government	38,481			38,481
Debt Service:				
Principal Payments			\$520	520
				<hr/>
Total Cash Disbursements	57,223	16,243	520	73,986
				<hr/>
Total Receipts Over/(Under) Disbursements	9,380	1,602	(520)	10,462
				<hr/>
Other Financing Receipts and (Disbursements):				
Transfers-In			520	520
Transfers-Out	(520)			(520)
Other Financing Uses	(163)			(163)
				<hr/>
Total Other Financing Receipts/(Disbursements)	(683)		520	(163)
				<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	8,697	1,602		10,299
				<hr/>
Fund Cash Balances, January 1	117,929	42,025		159,954
				<hr/>
Fund Cash Balances, December 31	\$126,626	\$43,627		\$170,253
				<hr/> <hr/>
Reserves for Encumbrances, December 31				<hr/> <hr/>

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$43,695
Operating Cash Disbursements:	
Personal Services	13,085
Fringe Benefits	1,491
Contractual Services	7,356
Supplies and Materials	4,701
Capital Outlay	41,335
Total Operating Cash Disbursements	67,968
Operating Loss	(24,273)
Non-Operating Cash Receipts:	
Special Assessments	39,100
Proceeds from Loan	41,335
Other Non-Operating Receipts	192
Total Non-Operating Cash Receipts	80,627
Net Receipts Over Disbursements	56,354
Fund Cash Balances, January 1	92,772
Fund Cash Balances, December 31	\$149,126
Reserve for Encumbrances, December 31	

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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,324			\$4,324
Special Assessments		\$5,340		5,340
Intergovernmental Receipts	58,631	12,241		70,872
Charges for Services	5			5
Fines, Licenses, and Permits	575			575
Earnings on Investments	1,891	312		2,203
Miscellaneous	36			36
	<u>65,462</u>	<u>17,893</u>		<u>83,355</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	5,600	6,237		11,837
Public Health Services	1,494			1,494
Leisure Time Activities	2,636			2,636
Community Environment	1,522			1,522
Transportation	2,098	11,231		13,329
General Government	45,097			45,097
Debt Service:				
Principal Payments			\$520	520
	<u>58,447</u>	<u>17,468</u>	<u>520</u>	<u>76,435</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>7,015</u>	<u>425</u>	<u>(520)</u>	<u>6,920</u>
Other Financing Receipts and (Disbursements):				
Transfers-In			520	520
Advances-In	2,000			2,000
Transfers-Out	(520)			(520)
Advances-Out	(2,000)			(2,000)
	<u>(520)</u>		<u>520</u>	
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	6,495	425		6,920
Fund Cash Balances, January 1	<u>111,434</u>	<u>41,600</u>		<u>153,034</u>
Fund Cash Balances, December 31	<u><u>\$117,929</u></u>	<u><u>\$42,025</u></u>		<u><u>\$159,954</u></u>
Reserves for Encumbrances, December 31	<u><u>\$27</u></u>	<u><u>\$324</u></u>		<u><u>\$351</u></u>

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$40,057
Operating Cash Disbursements:	
Personal Services	11,772
Fringe Benefits	1,685
Contractual Services	3,717
Supplies and Materials	2,944
Capital Outlay	15,558
Total Operating Cash Disbursements	35,676
Operating Income	4,381
Non-Operating Cash Receipts:	
Special Assessments	16,320
Proceeds from Loan	15,558
Total Non-Operating Cash Receipts	31,878
Non-Operating Cash Disbursements:	
Debt Service	
Principal Payments	8,000
Interest Payments	7,375
Total Non-Operating Cash Disbursements	15,375
Excess of Receipts Over Disbursements Before Interfund Advances	20,884
Advances-In	2,000
Advances-Out	(2,000)
Net Receipts Over Disbursements	20,884
Fund Cash Balances, January 1	71,888
Fund Cash Balances, December 31	\$92,772
Reserve for Encumbrances, December 31	\$12,712

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

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 governs the Village. The Village provides sewer utilities and park operations. The Village contracts with Vanlue Fire Department to receive fire protection services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

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 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.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

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

4. Enterprise Funds

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

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

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

Water Capital Project Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance the planning of a water system. A water assessment recorded in the water fund will repay this loan.

D. 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. For 2003, encumbrances outstanding at year end were carried over, and did not need to be reappropriated. Beginning in 2004, encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. 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 CASH

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

	2004	2003
Demand deposits	\$319,379	\$252,726

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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,977	\$66,603	\$5,626
Special Revenue	18,000	17,845	(155)
Debt Service	520	520	
Enterprise	217,099	124,322	(92,777)
Total	\$296,596	\$209,290	(\$87,306)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,906	\$57,906	\$121,000
Special Revenue	60,025	16,243	43,782
Debt Service	520	520	
Enterprise	309,871	67,968	241,903
Total	\$549,322	\$142,637	\$406,685

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,770	\$65,462	(\$2,308)
Special Revenue	21,760	17,893	(3,867)
Debt Service	520	520	
Enterprise	123,530	71,935	(51,595)
Total	\$213,580	\$155,810	(\$57,770)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,704	\$58,994	\$113,710
Special Revenue	63,360	17,792	45,568
Debt Service	520	520	
Enterprise	195,418	63,763	131,655
Total	\$432,002	\$141,069	\$290,933

Some of the Village's expenditures were not certified by the fiscal officer. In addition, the Village had \$12,712 in outstanding purchase commitments as of December 31, 2003 that were not certified at year end.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

	Principal	Interest Rate
Ohio Water Development Authority Loan #2899	\$520	0.00%
Ohio Water Development Authority Loan #3904	59,859	5.28%
Mortgage Revenue Bonds	139,500	5.00%
Total	\$199,879	

The Ohio Water Development Authority (OWDA) loan #2899 relates to a cooperative agreement with the OWDA dated November 30, 1994. The loans will be repaid in annual installments of \$520, interest free, over 10 years. Payments are made from the Village's Bond Retirement Fund, which receives transfers from the General Fund to retire the debt.

The 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. The OWDA has approved up to \$154,000 for this loan to the Village for the project. As of December 31, 2004, the Village received \$57,416 plus capitalized interest of \$2,443. The loans will be repaid in semiannual installments beginning July 1, 2008. 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 complete the total amount actually borrowed can not be determined, as a result this loan is not included in the amortization schedule below.

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.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan #2899	Mortgage Revenue Bonds
2005	\$520	\$14,973
2006		14,575
2007		15,175
2008		14,725
2009		15,275
2010-2014		74,525
2015-2017		43,475
Total	\$520	\$192,723

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

**VILLAGE OF VANLUE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' Equity	<u><u>\$4,457,714</u></u>	<u><u>\$3,531,044</u></u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. SUBSEQUENT EVENTS

During 2005 the Village received an additional \$31,909 in loan proceeds from the Ohio Water Development Authority to be used for the planning of a water distribution system.



**Auditor of State
Betty Montgomery**

**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
305 S. Buffalo 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, 2004 and 2003, and have issued our report thereon dated September 29, 2005, 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 that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 29, 2005

VILLAGE OF VANLUE
HANCOCK COUNTY

SCHEDULE OF FINDING
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Finding for Recovery Repaid Under Audit

For the month of May 2004, the approved time sheet for Village Street Maintenance Employee, Frederick D. Phillips, documented he had worked 96 hours. At his Council approved rate of pay of \$8.25 per hour, he was due \$792. However, he was paid \$940.50 resulting in an overpayment of \$148.50.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a finding for recovery for public money illegally expended is hereby issued against Village Street Maintenance Employee, Frederick D. Phillips, in the amount of \$148.50 in favor of the Street Construction, Maintenance, and Repair Fund.

Mr. Phillips repaid the Village \$148.50 through a payroll deduction on September 26, 2005.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

**FINDING NUMBER 2004-002
(Continued)**

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-nine percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$12,712 in outstanding purchase commitments as of December 31, 2003 that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect this amount as an outstanding encumbrance at year end in the Enterprise Funds.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Clerk and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk, and recorded against appropriations.



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VILLAGE OF VANLUE

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2005**