



**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF VAN BUREN  
HANCOCK COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Van Buren  
Hancock County  
103 South Main Street, P.O. Box 275  
Van Buren, Ohio 45889-0275

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

August 9, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Van Buren  
Hancock County  
103 South Main Street, P.O. Box 275  
Van Buren, Ohio 45889-0275

To the Village Council:

We have audited the accompanying financial statements of Village of Van Buren, Hancock County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Van Buren, Hancock County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 9, 2007



**VILLAGE OF VAN BUREN  
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, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$16,389				\$16,389
Intergovernmental	49,215	\$37,336	\$64,252	\$29,635	180,438
Special Assessments		5,387	140,638		146,025
Charges for Services			11,980		11,980
Fines, Licenses and Permits	1,015			120	1,135
Earnings on Investments	2,471	702			3,173
Miscellaneous	47				47
<b>Total Cash Receipts</b>	<u>69,137</u>	<u>43,425</u>	<u>216,870</u>	<u>29,755</u>	<u>359,187</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	12,281	6,536			18,817
Public Health Services	1,359				1,359
Leisure Time Activities	888				888
Community Environment	9,773				9,773
Basic Utility Service	952				952
Transportation	23,179	37,311			60,490
General Government	21,992	23			22,015
Debt Service:					
Redemption of Principal	10,607		67,907		78,514
Interest and Fiscal Charges			102,920		102,920
<b>Total Cash Disbursements</b>	<u>81,031</u>	<u>43,870</u>	<u>170,827</u>		<u>295,728</u>
Total Receipts Over/(Under) Disbursements	<u>(11,894)</u>	<u>(445)</u>	<u>46,043</u>	<u>29,755</u>	<u>63,459</u>
<b>Other Financing Disbursements:</b>					
Other Financing Uses			(240)	(5,106)	(5,346)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,894)	(445)	45,803	24,649	58,113
Fund Cash Balances, January 1	101,292	70,986	15,090	51,442	238,810
<b>Fund Cash Balances, December 31</b>	<u><u>\$89,398</u></u>	<u><u>\$70,541</u></u>	<u><u>\$60,893</u></u>	<u><u>\$76,091</u></u>	<u><u>\$296,923</u></u>
Reserve for Encumbrances, December 31	<u><u>\$39,593</u></u>				<u><u>\$39,593</u></u>

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

VILLAGE OF VAN BUREN  
HANCOCK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$3,174</u>
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>679</u>
Operating Income	<u>2,495</u>
Fund Cash Balance, January 1	<u>7,429</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$9,924</u></u></b>

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

**VILLAGE OF VAN BUREN  
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, 2005**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$17,784				\$17,784
Intergovernmental	48,927	\$16,988	\$27,942	\$44,915	138,772
Special Assessments		5,862	55,120		60,982
Charges for Services			4,090		4,090
Fines, Licenses and Permits	1,480				1,480
Earnings on Investments	1,887	639			2,526
Miscellaneous	5,222			7,425	12,647
<b>Total Cash Receipts</b>	<u>75,300</u>	<u>23,489</u>	<u>87,152</u>	<u>52,340</u>	<u>238,281</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	11,302	5,612			16,914
Public Health Services	1,413				1,413
Leisure Time Activities	1,060				1,060
Community Environment	8,597				8,597
Basic Utility Service	3,088				3,088
Transportation	13,438	12,707			26,145
General Government	26,125	56			26,181
Debt Service:					
Redemption of Principal	17,951		41,073	1,642,000	1,701,024
Interest and Fiscal Charges			30,437	74,550	104,987
Capital Outlay				147,125	147,125
<b>Total Cash Disbursements</b>	<u>82,974</u>	<u>18,375</u>	<u>71,510</u>	<u>1,863,675</u>	<u>2,036,534</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(7,674)</u>	<u>5,114</u>	<u>15,642</u>	<u>(1,811,335)</u>	<u>(1,798,253)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Proceeds of Loan				1,742,000	1,742,000
Sale of Fixed Assets				6,000	6,000
Other Financing Uses			(552)		(552)
<b>Total Other Financing Receipts / (Disbursements)</b>			<u>(552)</u>	<u>1,748,000</u>	<u>1,747,448</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,674)	5,114	15,090	(63,335)	(50,805)
Fund Cash Balances, January 1	108,966	65,872		114,777	289,615
<b>Fund Cash Balances, December 31</b>	<u><u>\$101,292</u></u>	<u><u>\$70,986</u></u>	<u><u>\$15,090</u></u>	<u><u>\$51,442</u></u>	<u><u>\$238,810</u></u>
Reserve for Encumbrances, December 31	<u>\$4,082</u>				<u>\$4,082</u>

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

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$3,174
<b>Operating Cash Disbursements:</b>	
Contractual Services	3,079
Operating Income	95
Fund Cash Balance, January 1	7,334
<b>Fund Cash Balance, December 31</b>	<b>\$7,429</b>

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

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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 Van Buren, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village contracts with Allen Township to receive fire protection services. Village residents receive water and sewer services from the City of Findlay, which performs the billing and collection of these charges for services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 7 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.

**B. Accounting Basis**

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

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

**C. Cash 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.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**2. Special Revenue Funds**

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Lighting Fund – This fund receives assessments to provide street lighting for the Village.

**3. Debt Service Funds**

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

General Obligation Debt Services – This fund receives revenues from the County to pay a portion of the debt on the water line project and water and sewer connection fees to pay for the debt on the respective project.

Special Assessments Debt Services – This fund receives assessments to pay for the water line and sanitary sewer projects.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sewer Fund – This fund received proceeds of a United States Department of Agriculture loan which paid off the interim financing of an Ohio Water Development Authority loan. The proceeds of the Ohio Water Development Authority loan were used for the installation of sanitary sewer lines within the Village.

**5. Enterprise Fund**

This fund accounts 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 Enterprise Fund:

Post Office Fund - This fund receives rent from the United States Postal Service to cover the cost of providing this facility.

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED 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:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$256,847	\$196,239
Certificates of deposit	50,000	50,000
Total deposits	<u>\$306,847</u>	<u>\$246,239</u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,322	\$69,137	\$1,815
Special Revenue	207,600	43,425	(164,175)
Debt Service	225,142	216,870	(8,272)
Capital Projects	29,784	29,755	(29)
Enterprise	3,174	3,174	
Total	\$533,022	\$362,361	(\$170,661)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,614	\$120,624	\$47,990
Special Revenue	278,586	43,870	234,716
Debt Service	240,232	171,067	69,165
Capital Projects	81,226	5,106	76,120
Enterprise	10,603	679	9,924
Total	\$779,261	\$341,346	\$437,915

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,103	\$75,300	\$6,197
Special Revenue	20,968	23,489	2,521
Debt Service	72,062	87,152	15,090
Capital Projects	1,834,455	1,800,340	(34,115)
Enterprise	3,174	3,174	
Total	\$1,999,762	\$1,989,455	(\$10,307)



**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,096	\$87,056	\$91,040
Special Revenue	86,840	18,375	68,465
Debt Service	72,062	72,062	
Capital Projects	1,949,232	1,863,675	85,557
Enterprise	10,507	3,079	7,428
Total	\$2,296,737	\$2,044,247	\$252,490

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan # 2896	\$1,402,624	2.00%
Ohio Water Development Authority Loan # 4308	\$100,202	3.99%
USDA - Rural Development Loan 2005	1,625,500	4.25%
Total	\$3,128,326	

The Ohio Water Development Authority (OWDA) loan # 2896 relates to a water distribution system and trunk line construction. The OWDA approved a loan of \$1,746,599 to the Village for this project. The Village will repay the loans in semiannual installments of \$44,730, including interest, over 25 years. The Village has agreed to set special assessment rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. DEBT – (CONTINUED)**

The Ohio Water Development Authority (OWDA) loan # 4308 and USDA-Rural Development loan relate to a sanitary sewer system design the Ohio Environmental Protection Agency mandated. The OWDA approved a loan of \$102,012 and the United States Department of Agriculture (USDA) approved a loan of \$1,642,000 to the Village for this project. The Village will repay the OWDA loan in semiannual installments of \$2,931, including interest, over 30 years. The Village will repay the USDA-Rural Development loan in semiannual installments based on the payments stated for the Revenue Bonds, including interest, over 40 years. The Village has agreed to set special assessment rates sufficient to cover OWDA and USDA debt service requirements.

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

Year ending December 31:	OWDA Loan 2896	OWDA Loan 4308	USDA Rural Development Loan 2005
2007	\$89,461	\$5,862	\$86,103
2008	89,461	5,862	86,164
2009	89,461	5,862	86,190
2010	89,461	5,862	86,183
2011	89,461	5,862	86,141
2012 – 2016	447,304	29,311	430,774
2017 – 2021	447,304	29,311	430,657
2022 – 2026	357,842	29,311	430,761
2027 – 2031		29,311	430,844
2032 – 2036		23,451	430,649
2037 – 2041			430,634
2042 – 2045			301,465
Total	<u>\$1,699,755</u>	<u>\$170,005</u>	<u>\$3,316,565</u>

**6. RETIREMENT SYSTEM**

The Village's officials and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes plan benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT – (CONTINUED)**

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$6,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

VILLAGE OF VAN BUREN  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)

7. RISK MANAGEMENT – (CONTINUED)

	<u>Contributions to PEP</u>
2004	\$2,771
2005	\$2,971
2006	\$2,971

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Van Buren  
Hancock County  
103 South Main Street, P.O. Box 275  
Van Buren, Ohio 45889-0275

To the Village Council:

We have audited the financial statements of the Village of Van Buren, Hancock County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 9, 2007, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

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

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

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

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

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We noted a certain matter that we reported to the Village's management in a separate letter dated August 9, 2007.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Village's management in a separate letter dated August 9, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

August 9, 2007



**VILLAGE OF VAN BUREN  
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC § 5705.41(D) – Failure to certify funds	No	Partially Corrected – Will reissue as management letter comment.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF VAN BUREN**

**HANCOCK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 20, 2007**