



Dave Yost • Auditor of State

VILLAGE OF VANLUE
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Vanlue, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Vanlue, Hancock County, Ohio as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 24, 2017

Village of Vanlue
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, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,581		\$21,581
Municipal Income Tax	24,683		24,683
Intergovernmental	37,254	\$14,976	52,230
Special Assessments		14,771	14,771
Fines, Licenses and Permits	300		300
Earnings on Investments	397	49	446
Miscellaneous	5,134		5,134
<i>Total Cash Receipts</i>	<u>89,349</u>	<u>29,796</u>	<u>119,145</u>
Cash Disbursements			
Current:			
Security of Persons and Property	11,071	9,610	20,681
Public Health Services	988		988
Leisure Time Activities	3,429		3,429
Community Environment	256		256
Basic Utility Services	294		294
Transportation	238	9,735	9,973
General Government	30,279	468	30,747
Debt Service:			
Principal Retirement	2,000		2,000
Interest and Fiscal Charges	1,520		1,520
<i>Total Cash Disbursements</i>	<u>50,075</u>	<u>19,813</u>	<u>69,888</u>
<i>Excess of Receipts Over Disbursements</i>	<u>39,274</u>	<u>9,983</u>	<u>49,257</u>
Other Financing Disbursements			
Other Financing Uses	(429)		(429)
<i>Net Change in Fund Cash Balances</i>	38,845	9,983	48,828
<i>Fund Cash Balances, January 1</i>	<u>91,909</u>	<u>44,731</u>	<u>136,640</u>
Fund Cash Balances, December 31			
Restricted		54,714	54,714
Unassigned	130,754		130,754
<i>Fund Cash Balances, December 31</i>	<u>\$130,754</u>	<u>\$54,714</u>	<u>\$185,468</u>

See accompanying notes to the basic financial statements

Village of Vanlue
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$216,368
Operating Cash Disbursements	
Personal Services	25,203
Employee Fringe Benefits	3,670
Contractual Services	33,431
Supplies and Materials	13,531
Other	150
<i>Total Operating Cash Disbursements</i>	75,985
<i>Operating Income</i>	140,383
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	395
Capital Outlay	(4,765)
Principal Retirement	(45,113)
Interest and Other Fiscal Charges	(45,309)
<i>Total Non-Operating Receipts (Disbursements)</i>	(94,792)
<i>Income before Transfers</i>	45,591
Transfers In	7,587
Transfers Out	(7,587)
<i>Net Change in Fund Cash Balances</i>	45,591
<i>Fund Cash Balances, January 1</i>	344,101
<i>Fund Cash Balances, December 31</i>	\$389,692

See accompanying notes to the basic financial statements

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Reporting Entity

The Village of Vanlue (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities. The Village contracts with Vanlue Fire Department, Inc. to provide fire protection services.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Street Lighting Fund The Street Lighting Fund receives special assessment revenue to fund street lighting.

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 and outside the Village.

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 2016 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.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,918	\$89,349	(\$9,569)
Special Revenue	33,800	29,796	(4,004)
Enterprise	230,000	224,350	(5,650)
Total	\$362,718	\$343,495	(\$19,223)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,314	\$50,504	\$45,810
Special Revenue	33,800	19,813	13,987
Enterprise	230,000	178,759	51,241
Total	\$360,114	\$249,076	\$111,038

Note 4 – Deposits

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016
Demand deposits	<u>\$315,810</u>
Other time deposits (savings accounts)	<u>259,350</u>
Total deposits	<u><u>\$575,160</u></u>

Deposits

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

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 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.

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

Income Taxes

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

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

Note 6 - Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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

<u>2016 Contributions to PEP</u> <u>\$17,207</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Social Security

One of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The employee contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participant's gross salaries. The Village has paid all contributions required through December 31, 2016.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CT430	\$22,235	0%
General Obligation Bonds (USDA #02)	32,750	4.375%
Mortgage Revenue Bonds (USDA #4)	1,755,792	2.5%
OWDA Loan #5731	41,423	1.5%
Ohio Public Works Commission Loan #CM08J	151,875	0%
Total	\$2,004,075	

The Ohio Public Works Commission (OPWC) loan #CT430 is for the replacement of the wastewater pump lift station. The Village will repay the loan of \$27,794 in semiannual installments of \$695 over 20 years. The loan is collateralized by sewer receipts.

The Village issued general obligation bonds (USDA loan #02) to finance the purchase of a new town hall in 2007.

The USDA loan #04 relates to the new water distribution system. As of December 31, 2012, the Village received \$1,876,000. 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, 2016 is \$45,808.

The Ohio Water Development Authority (OWDA) loan #5731 relates to a cooperative agreement with the OWDA. The loan is for the construction of the water treatment plant and distribution system. The Village will repay the original loan of \$185,000 in semiannual installments of \$1,013, including interest, over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OPWC loan #CM08J relates to the water distribution system. The Village will repay the loan of \$225,000 in semiannual installments of \$5,625 over 20 years. The loan is collateralized by water receipts.

Amortization

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Year ending December 31:	OPWC #CT430	General Obligation Bonds	Mortgage Revenue Bonds	OWDA Loan	OPWC #CM08J
2017	\$1,390	\$3,433	\$75,878	\$2,027	\$11,250
2018	1,390	3,345	75,878	2,027	11,250
2019	1,390	3,258	75,878	2,027	11,250
2020	1,390	3,170	75,764	2,027	11,250
2021	1,390	3,083	75,878	2,027	11,250
2022-2026	6,948	14,102	379,285	10,133	56,250
2027-2031	6,948	14,227	379,296	10,133	39,375
2032-2036	1,389		379,240	10,133	
2037-2041			379,335	9,120	
2042-2046			379,351		
2047-2051			379,369		
Total	<u>\$22,235</u>	<u>\$44,618</u>	<u>\$2,655,152</u>	<u>\$49,654</u>	<u>\$151,875</u>

Note 10 – Related Party Transaction and Noncompliance

Contrary to the Ohio Rev. Code, in 2016, Barbara Epley was a Council Member and her husband, Gerald Epley, was the maintenance man and was paid \$3,370. While on Council, she approved each payment of his payroll.

Note 11 – Miscellaneous Receipts

Miscellaneous receipts in the General fund mainly consist of office space rent and reimbursements.

Village of Vanlue
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, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$21,236		\$21,236
Intergovernmental	41,278	\$14,934	56,212
Special Assessments		13,759	13,759
Fines, Licenses and Permits	1,050		1,050
Earnings on Investments	331	73	404
Miscellaneous	4,242		4,242
<i>Total Cash Receipts</i>	<u>68,137</u>	<u>28,766</u>	<u>96,903</u>
Cash Disbursements			
Current:			
Security of Persons and Property	10,802	10,157	20,959
Public Health Services	1,110		1,110
Leisure Time Activities	2,673		2,673
Community Environment	1,202		1,202
Basic Utility Services	356		356
Transportation	199	13,712	13,911
General Government	28,936	1,219	30,155
Capital Outlay	5,000		5,000
Debt Service:			
Principal Retirement	2,000		2,000
Interest and Fiscal Charges	1,608		1,608
<i>Total Cash Disbursements</i>	<u>53,886</u>	<u>25,088</u>	<u>78,974</u>
<i>Excess of Receipts Over Disbursements</i>	<u>14,251</u>	<u>3,678</u>	<u>17,929</u>
Other Financing Disbursements			
Other Financing Uses	(558)		(558)
<i>Net Change in Fund Cash Balances</i>	13,693	3,678	17,371
<i>Fund Cash Balances, January 1</i>	<u>78,216</u>	<u>41,053</u>	<u>119,269</u>
Fund Cash Balances, December 31			
Restricted		44,731	44,731
Unassigned	91,909		91,909
<i>Fund Cash Balances, December 31</i>	<u>\$91,909</u>	<u>\$44,731</u>	<u>\$136,640</u>

See accompanying notes to the basic financial statements

Village of Vanlue
Hancock County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015

	Enterprise
Operating Cash Receipts	
Charges for Services	\$209,669
Operating Cash Disbursements	
Personal Services	24,512
Employee Fringe Benefits	4,460
Contractual Services	39,281
Supplies and Materials	21,985
Other	75
<i>Total Operating Cash Disbursements</i>	90,313
<i>Operating Income</i>	119,356
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	515
Capital Outlay	(8,408)
Principal Retirement	(44,454)
Interest and Other Fiscal Charges	(46,091)
<i>Total Non-Operating Receipts (Disbursements)</i>	(98,438)
<i>Income before Transfers</i>	20,918
Transfers In	7,587
Transfers Out	(7,587)
<i>Net Change in Fund Cash Balances</i>	20,918
<i>Fund Cash Balances, January 1</i>	323,183
<i>Fund Cash Balances, December 31</i>	\$344,101

See accompanying notes to the basic financial statements

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 - Reporting Entity

The Village of Vanlue (the Village), Hancock County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities. The Village contracts with Vanlue Fire Department, Inc. to provide fire protection services.

Public Entity Risk Pools

The Village participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Street Lighting Fund The Street Lighting Fund receives special assessment revenue to fund street lighting.

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 and outside the Village.

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015 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.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,349	\$68,137	(\$212)
Special Revenue	30,000	28,766	(1,234)
Enterprise	240,587	217,771	(22,816)
Total	\$338,936	\$314,674	(\$24,262)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,975	\$54,444	\$18,531
Special Revenue	32,700	25,088	7,612
Enterprise	219,328	196,853	22,475
Total	\$325,003	\$276,385	\$48,618

Note 4 – Deposits

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
Demand deposits	\$221,779
Other time deposits (savings accounts)	258,962
Total deposits	\$480,741

Deposits

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

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 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.

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

Note 6 - Risk Management

Risk Pool Membership

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
16,744	17,123

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT430	\$23,625	0%
General Obligation Bonds (USDA #02)	34,750	4.375%
Mortgage Revenue Bonds (USDA #04)	1,786,875	2.5%
Ohio Water Development Authority Loan #5731	42,813	1.5%
Ohio Public Works Commission Loan #CM08J	<u>163,125</u>	0%
Total	<u><u>\$2,051,188</u></u>	

The Ohio Public Works Commission (OPWC) loan #CT430 is for the replacement of the wastewater pump lift station. The Village will repay the loan of \$27,794 in semiannual installments of \$695 over 20 years. The loan is collateralized by sewer receipts.

The Village issued general obligation bonds (USDA loan #02) to finance the purchase of a new town hall in 2007.

The USDA loan #04 relates to the new water distribution system. As of December 31, 2012, the Village received \$1,876,000. 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, 2015 is \$38,221.

The Ohio Water Development Authority (OWDA) loan #5731 relates to a cooperative agreement with the OWDA. The loan is for the construction of the water treatment plant and distribution system. The Village will repay the original loan of \$185,000 in semiannual installments of \$1,013, including interest, over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OPWC loan #CM08J relates to the water distribution system. The Village will repay the loan of \$225,000 in semiannual installments of \$5,625 over 20 years. The loan is collateralized by water receipts.

Amortization

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

VILLAGE OF VANLUE
HANCOCK COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Year ending December 31:	OPWC #CT430	General Obligation Bonds	Mortgage Revenue Bonds	OWDA Loan	OPWC #CM08J
2016	\$1,390	\$3,520	\$75,755	\$2,027	\$11,250
2017	1,390	3,433	75,878	2,027	11,250
2018	1,390	3,345	75,878	2,027	11,250
2019	1,390	3,258	75,878	2,027	11,250
2020	1,390	3,170	75,764	2,027	11,250
2021-2025	6,948	14,539	379,285	10,133	56,250
2026-2030	6,948	16,089	379,296	10,133	50,625
2031-2035	2,779	783	379,308	10,133	
2036-2040			379,267	10,133	
2041-2045			379,351	1,013	
2046-2050			379,369		
2051			75,878		
Total	<u>\$23,625</u>	<u>\$48,137</u>	<u>\$2,730,907</u>	<u>\$51,680</u>	<u>\$163,125</u>

Note 10 – Related Party Transaction and Noncompliance

Contrary to the Ohio Rev. Code, in 2015, Mayor Barbara Epley recommended to Village Council to hire her husband, Gerald Epley, for an open maintenance position for which he was paid \$370 during 2015. As Mayor, she signed his paychecks.

Note 11 – Miscellaneous Receipts

Miscellaneous receipts in the General fund mainly consist of office space rent and reimbursements.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Vanlue, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2017 wherein we noted the Village followed financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 24, 2017

VILLAGE OF VANLUE
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 2921.42(A)(1) provides that no public official shall knowingly authorize or employ the authority or influence of her office to secure authorization of any public contract in which she, a member of her family, or any of her business associates has an interest. **Ohio Rev. Code § 2921.42(H)** provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

In 2015, Council elected Barbara Epley as Council President; however, on May 20, 2015, the Mayor resigned, so Barbara Epley became Mayor through 2015. On January 25, 2016, Barbara Epley was approved by Council to fill a vacant Council position. In 2015, as Mayor, Barbara Epley recommended to Village Council to hire her husband, Gerald Epley, for an open maintenance position for which he was paid \$370 during 2015 and \$3,370 during 2016. As Mayor, Barbara signed her husband's paychecks during 2015 and in 2016, as a Council Member, she approved each payment of his payroll.

We recommend Officials abstain from recommending or nominating family members for public jobs and Council Members abstain from voting on any motion related to the employment of or payments to family members.

This matter will be referred to the Ohio Ethics Commission for their consideration.

Officials' Response:

In October 2015 Richard Spradlin left after a meeting, leaving his keys on my desk. He quit. We were unable to get a formal resignation from him. Mayor Barb Epley informed her husband Gerry of the situation, the Village was without a maintenance person and we will be going into the winter months. In early October Barb informed me that Gerry would be willing to help until we find another person. I contacted all Council members; they all agreed to hire Gerry on a temporary basis. Unfortunately at the October meeting, I did not mention the phone calls at the October Council meeting and did not add the process to the October minutes.

I have spoken with Barb concerning finding number 2016-001, she understands what she did was wrong. At the time Council, Mayor, nor I gave a thought and there was no intention of doing anything wrong. We will bring this up at the next Council meeting; Ohio Rev. Code 102.03(D) will be read.

Barb is still on Council, but Gerry is no longer employed by the Village. He left effective Sept. 1, 2016.

VILLAGE OF VANLUE
HANCOCK COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – Monitoring Village Financial Activity for moneys misclassified.	Reissued as a management letter comment for 2015, but corrected for 2016.	
2014-002	Material Weakness – Utility Operations for sewer services under billed, not all utility reports printed each month and late fees not charged for 2 months.	Corrected sewer services under billed; however, reissued as a management letter comment for reports not printed for full month.	Additional errors were made and not detected. The new Utility Clerk is now printing full monthly reports effective 7/1/17.



Dave Yost • Auditor of State

VILLAGE OF VANLUE

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 19, 2017