



Dave Yost • Auditor of State

VILLAGE OF VAN BUREN
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Van Buren, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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

As described in Note 1B 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position or cash flows thereof for the year 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 Van Buren, Hancock County, Ohio as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1E to the financial statements, during 2011 the Village of Van Buren adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, 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

June 10, 2013

VILLAGE OF VAN BUREN
HANCOCK COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$21,430				\$21,430
Intergovernmental	31,493	\$28,610	\$27,942	\$142,200	230,245
Special Assessments		9,012	118,465		127,477
Charges for Services			16,523		16,523
Fines, Licenses and Permits	826				826
Earnings on Investments	102	16			118
<i>Total Cash Receipts</i>	<u>53,851</u>	<u>37,638</u>	<u>162,930</u>	<u>142,200</u>	<u>396,619</u>
Cash Disbursements					
Current:					
Security of Persons and Property	5,275	9,700			14,975
Public Health Services	1,691				1,691
Leisure Time Activities	457				457
Community Environment	3,445				3,445
Basic Utility Services	952				952
Transportation		26,324			26,324
General Government	27,767				27,767
Capital Outlay	4,903	5,563		147,793	158,259
Debt Service:					
Principal Retirement	12,700		73,694	5,000	91,394
Interest and Fiscal Charges			90,253		90,253
<i>Total Cash Disbursements</i>	<u>57,190</u>	<u>41,587</u>	<u>163,947</u>	<u>152,793</u>	<u>415,517</u>
<i>Excess of Disbursements Over Receipts</i>	(3,339)	(3,949)	(1,017)	(10,593)	(18,898)
<i>Fund Cash Balances, January 1</i>	<u>55,994</u>	<u>62,964</u>	<u>154,495</u>	<u>125,722</u>	<u>399,175</u>
Fund Cash Balances, December 31					
Restricted		59,015	153,478	115,129	327,622
Assigned	5,569				5,569
Unassigned	47,086				47,086
<i>Fund Cash Balances, December 31</i>	<u>\$52,655</u>	<u>\$59,015</u>	<u>\$153,478</u>	<u>\$115,129</u>	<u>\$380,277</u>

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

VILLAGE OF VAN BUREN
HANCOCK COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$4,550</u>
Operating Cash Disbursements	
Contractual Services	842
Supplies and Materials	<u>95</u>
<i>Total Operating Cash Disbursements</i>	<u>937</u>
<i>Operating Income</i>	3,613
<i>Fund Cash Balance, January 1</i>	<u>18,810</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$22,423</u></u>

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

VILLAGE OF VAN BUREN
HANCOCK COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$21,988				\$21,988
Intergovernmental	43,559	\$27,488	\$27,942	\$13,400	112,389
Special Assessments		9,261	140,165		149,426
Charges for Services			6,135		6,135
Fines, Licenses and Permits	425				425
Earnings on Investments	245	35			280
Miscellaneous	50				50
<i>Total Cash Receipts</i>	<u>66,267</u>	<u>36,784</u>	<u>174,242</u>	<u>13,400</u>	<u>290,693</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,959	8,801			13,760
Public Health Services	1,984				1,984
Leisure Time Activities	380				380
Community Environment	3,435				3,435
Basic Utility Services	952				952
Transportation	5,000	21,943			26,943
General Government	30,473				30,473
Capital Outlay	12,000			6,764	18,764
Debt Service:					
Principal Retirement	2,678		86,397		89,075
Interest and Fiscal Charges			92,563		92,563
<i>Total Cash Disbursements</i>	<u>61,861</u>	<u>30,744</u>	<u>178,960</u>	<u>6,764</u>	<u>278,329</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	4,406	6,040	(4,718)	6,636	12,364
<i>Fund Cash Balances, January 1</i>	<u>51,588</u>	<u>56,924</u>	<u>159,213</u>	<u>119,086</u>	<u>386,811</u>
Fund Cash Balances, December 31					
Restricted		62,964	154,495	125,722	343,181
Assigned	3,937				3,937
Unassigned	52,057				52,057
<i>Fund Cash Balances, December 31</i>	<u>\$55,994</u>	<u>\$62,964</u>	<u>\$154,495</u>	<u>\$125,722</u>	<u>\$399,175</u>

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

VILLAGE OF VAN BUREN
HANCOCK COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$4,200</u>
Operating Cash Disbursements	
Contractual Services	<u>1,956</u>
<i>Operating Income</i>	2,244
Non-Operating Receipts	
Insurance Reimbursement	<u>1,303</u>
<i>Net Change in Fund Cash Balance</i>	3,547
<i>Fund Cash Balance, January 1</i>	<u>15,263</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$18,810</u></u>

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, 2012 AND 2011**

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, Ohio (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 provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 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 VAN BUREN
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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 - These funds receives assessments to pay for the debt on the water line and sanitary sewer projects.

4. Capital Project Funds

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

Village Square Project Fund – This fund receives proceeds of Issue 2 funds. The proceeds are being used for the Village square improvement project.

5. Enterprise Funds

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 significant Enterprise Fund:

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

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, 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.

VILLAGE OF VAN BUREN
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

E. Fund Balance

For 2011 the Village implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the previously reported fund balances.

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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

**VILLAGE OF VAN BUREN
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. 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.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$402,700	\$417,985

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, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,172	\$53,851	(\$5,321)
Special Revenue	37,610	37,638	28
Debt Service	174,578	162,930	(11,648)
Capital Projects	142,200	142,200	
Enterprise	4,200	4,550	350
Total	\$417,760	\$401,169	(\$16,591)

**VILLAGE OF VAN BUREN
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,166	\$62,759	\$52,407
Special Revenue	100,564	55,273	45,291
Debt Service	329,073	163,947	165,126
Capital Projects	267,923	152,793	115,130
Enterprise	23,011	937	22,074
Total	<u>\$835,737</u>	<u>\$435,709</u>	<u>\$400,028</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,249	\$66,267	(\$982)
Special Revenue	35,500	36,784	1,284
Debt Service	179,213	174,242	(4,971)
Capital Projects	155,600	13,400	(142,200)
Enterprise	4,200	5,503	1,303
Total	<u>\$441,762</u>	<u>\$296,196</u>	<u>(\$145,566)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,837	\$65,798	\$53,039
Special Revenue	92,425	48,249	44,176
Debt Service	338,427	178,960	159,467
Capital Projects	274,686	12,357	262,329
Enterprise	19,463	1,956	17,507
Total	<u>\$843,838</u>	<u>\$307,320</u>	<u>\$536,518</u>

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.

**VILLAGE OF VAN BUREN
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax (Continued)

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, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan # 2896	\$1,015,253	2.00%
Ohio Water Development Authority Loan # 4308	87,708	3.99%
USDA - Rural Development Loan	1,510,200	4.25%
Total	\$2,613,161	

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 loan 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.

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:

	OWDA Loan # 2896	OWDA Loan # 4308	USDA Loan
Year ending December 31:			
2013	\$89,461	\$5,862	\$86,150
2014	89,461	5,862	86,196
2015	89,461	5,862	86,101
2016	89,461	5,862	86,164
2017	89,461	5,862	86,083
2018-2022	447,304	29,311	430,716
2023-2027	268,382	29,311	430,676
2028-2032		29,311	430,879
2033-2037		17,587	430,701
2038-2042			430,688
2043-2045			215,267
Total	\$1,162,991	\$134,830	\$2,799,621

**VILLAGE OF VAN BUREN
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

7. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

**VILLAGE OF VAN BUREN
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

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>2012</u>	<u>2011</u>
\$2,920	\$2,368

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.

8. Contingent Liabilities

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



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

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 Village of Van Buren, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 10, 2013 wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and in 2011 the Village adopted Government Accounting Standards Board Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*."

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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

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

June 10, 2013

**VILLAGE OF VAN BUREN
HANCOCK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Material Weakness – Monitoring Village Financial Activity

Audit testing identified various transactions that were improperly classified. The financial statements have been adjusted to reflect reclassifications as follows:

- Rollback and homestead were posted as taxes instead of intergovernmental receipts in the general fund in the amounts of \$3,477 and \$3,508 in 2012 and 2011, respectively.
- The payment for waterline from the County Auditor was posted as miscellaneous receipts instead of intergovernmental receipts in the amount of \$14,971 in 2011.
- Debt principal payment was posted as interest for the General Obligation Waterline Fund in the amount of \$1,493 in 2012.
- Encumbrances in the General Fund at year-end were classified as unassigned fund balance instead of assigned fund balance in the amount of \$5,569 and \$3,937 in 2012 and 2011, respectively.

Accurate financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Clerk-Treasurer post all transactions in accordance with the guidance provided in the Ohio Village Officers' Handbook issued by the Auditor of State, and Council adopt procedures for reviewing the financial statements for accuracy.

Officials' Response:

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

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VILLAGE OF VAN BUREN
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery Repaid Under Audit for the purchase of alcohol.	Yes	

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Dave Yost • 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
JUNE 27, 2013**