

**VILLAGE OF LARUE**  
**MARION COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Larue  
PO Box 33  
Larue, Ohio 43332

We have reviewed the *Independent Auditor's Report* of the Village of Larue, Marion County, prepared by Holbrook & Manter for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Larue is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY  
Auditor of State

August 29, 2006

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## **INDEPENDENT AUDITORS' REPORT**

Village Council  
Village of LaRue  
Marion County

We have audited the accompanying financial statements of the Village of LaRue, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, 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 the Village of LaRue, Marion County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2006 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.

The image shows a handwritten signature in black ink that reads "Shullbrook & Manton". The signature is written in a cursive, flowing style.

Certified Public Accountants

June 16, 2006

**VILLAGE OF LARUE**  
**MARION 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>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash receipts:-</b>			
Local taxes	\$ 46,302	\$ 0	\$ 46,302
Intergovernmental	37,165	55,464	92,629
Charges for services	134	14,825	14,959
Fines, licenses, and permits	2,709	0	2,709
Earnings on investments	444	242	686
Miscellaneous	7,127	7,234	14,361
	<u>93,881</u>	<u>77,765</u>	<u>171,646</u>
Total cash receipts	<b>93,881</b>	<b>77,765</b>	<b>171,646</b>
<b>Cash disbursements:-</b>			
<b>Current:</b>			
Security of persons and property	9,600	0	9,600
Public health services	2,596	0	2,596
Leisure time activities	0	24,269	24,269
Community environment	10,171	0	10,171
Transportation	21,301	35,349	56,650
General government	53,103	0	53,103
Capital outlay	26,913	0	26,913
	<u>123,684</u>	<u>59,618</u>	<u>183,302</u>
Total cash disbursements	<b>123,684</b>	<b>59,618</b>	<b>183,302</b>
Total receipts over (under) cash disbursements	<b>( 29,803)</b>	<b>18,147</b>	<b>( 11,656)</b>
<b>Other financing receipts (disbursements):-</b>			
Transfers-in	9,120	1,526	10,646
Transfers-out	0	( 12,436)	( 12,436)
Other financing sources	0	2,000	2,000
	<u>9,120</u>	<u>( 8,910)</u>	<u>210</u>
Total other financing receipts (disbursements)	<b>9,120</b>	<b>( 8,910)</b>	<b>210</b>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	<b>( 20,683)</b>	<b>9,237</b>	<b>( 11,446)</b>
Fund cash balances, January 1, 2005	<u>21,079</u>	<u>3,837</u>	<u>24,916</u>
<b>Fund cash balances, December 31, 2005</b>	<b>\$ 396</b>	<b>\$ 13,074</b>	<b>\$ 13,470</b>
<b>Reserve for encumbrances, December 31, 2005</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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



**VILLAGE OF LARUE**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>OPERATING CASH RECEIPTS:-</b>	
Charges for services	\$ 194,273
Earnings on investments	1,559
	<b>195,832</b>
Total operating cash receipts	<b>195,832</b>
<b>OPERATING CASH DISBURSEMENTS:-</b>	
Personal services	28,292
Contractual services	55,176
Supplies and materials	22,743
Other	459
	<b>106,670</b>
Total operating cash disbursements	<b>106,670</b>
Operating income	<b>89,162</b>
<b>NON-OPERATING CASH DISBURSEMENTS:-</b>	
Debt service	( 101,798)
	<b>( 101,798)</b>
Total non-operating cash disbursements	<b>( 101,798)</b>
Excess of receipts over (under) disbursements before interfund transfers	<b>( 12,636)</b>
Transfers-in	<b>3,323</b>
Transfers-out	<b>( 1,533)</b>
	<b>( 10,846)</b>
Net receipts over (under) disbursements	<b>( 10,846)</b>
Fund cash balances, January 1, 2005	<b>167,367</b>
<b>Fund cash balances, December 31, 2005</b>	<b>\$ 156,521</b>
<b>Reserve for encumbrances, December 31, 2005</b>	<b>\$ 737</b>

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

**VILLAGE OF LARUE**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash receipts:-</b>			
Local taxes	\$ 44,398	\$ 0	\$ 44,398
Intergovernmental	37,914	35,770	73,684
Charges for services	3,843	8,640	12,483
Fines, licenses, and permits	4,807	0	4,807
Earnings on investments	8,007	2,365	10,372
Miscellaneous	5,667	5,782	11,449
	<u>104,636</u>	<u>52,557</u>	<u>157,193</u>
Total cash receipts			
<b>Cash disbursements:-</b>			
<b>Current:</b>			
Security of persons and property	41,950	0	41,950
Public health services	2,606	0	2,606
Leisure time activities	7,269	20,293	27,562
Community environment	2,520	0	2,520
Transportation	25,395	41,513	66,908
General government	28,655	0	28,655
Capital outlay	2,000	0	2,000
	<u>110,395</u>	<u>61,806</u>	<u>172,201</u>
Total cash disbursements			
Total receipts over (under) cash disbursements	( 5,759)	( 9,249)	( 15,008)
<b>Other financing receipts (disbursements):-</b>			
Transfers-in	8,451	7,887	16,338
Transfers-out	( 7,887)	0	( 7,887)
Other financing uses	0	( 10,500)	( 10,500)
	<u>564</u>	<u>( 2,613)</u>	<u>( 2,049)</u>
Total other financing receipts (disbursements)			
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	( 5,195)	( 11,862)	( 17,057)
Fund cash balances, January 1, 2004 (restated)	26,274	15,699	41,973
<b>Fund cash balances, December 31, 2004</b>	<u>\$ 21,079</u>	<u>\$ 3,837</u>	<u>\$ 24,916</u>
<b>Reserve for encumbrances, December 31, 2004</b>	<u>\$ 4,900</u>	<u>\$ 0</u>	<u>\$ 4,900</u>

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

**VILLAGE OF LARUE  
MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>OPERATING CASH RECEIPTS:-</b>	
Charges for services	\$ 194,544
Earnings on investments	2,568
Miscellaneous	287
	<b>197,399</b>
<b>OPERATING CASH DISBURSEMENTS:-</b>	
Personal services	31,948
Contractual services	46,173
Supplies and materials	27,892
Other	160
Capital outlay	9,582
	<b>115,755</b>
Total operating cash receipts	<b>197,399</b>
Total operating cash disbursements	<b>115,755</b>
Operating income	<b>81,644</b>
<b>NON-OPERATING CASH DISBURSEMENTS:-</b>	
Debt service	( 101,615)
Total non-operating cash disbursements	<b>( 101,615)</b>
Excess of receipts over (under) disbursements before interfund transfers	<b>( 19,971)</b>
Transfers-in	<b>1,310</b>
Transfers-out	<b>( 9,761)</b>
Net receipts over (under) disbursements	<b>( 28,422)</b>
Fund cash balances, January 1, 2004	195,789
<b>Fund cash balances, December 31, 2004</b>	<b>\$ 167,367</b>
<b>Reserve for encumbrances, December 31, 2004</b>	<b>\$ 7,510</b>

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

**VILLAGE OF LARUE**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

- A. **Description of the Entity** - The Village of LaRue, Marion County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected Mayor, Clerk, and six-member Council. The Village provides general governmental services, including water and sewer utilities. The Village contracts with the Marion County Sheriff's department to provide security of persons and property. The Village also receives revenues from admissions and concessions from the pool, which the Village acquired in 2000.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

- C. **Cash and Investments** - The Village maintains its cash deposits in an interest-bearing checking account. The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds**

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

*Street Construction, Maintenance and Repair Fund*

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing Village streets.

*State Highway Improvement Fund*

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing state highways within the Village.

*Park and Recreation Fund*

This fund receives grants and charges for services from pool admissions and concessions to fund operations of the Village pool. This fund also receives income tax to fund the operations of the Village park.

**VILLAGE OF LARUE**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

*FEMA Fund*

This fund receives federal grants for a variety of emergency management and disaster planning purposes.

*Escrow Insurance Claims Fund*

This fund receives a portion of property damage claim proceeds from insurance agencies to be held in escrow. Funds are remitted to the property owners upon meeting certain property conditions.

Enterprise Funds

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

*Water Fund*

This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund*

This fund receives charges for services from residents to cover the cost of providing this utility.

*Deposit Fund*

This fund receives deposit fees for new water and sewer customers, which are returned upon closing of the accounts if no balances are still owed to the Village.

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) 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. The County Budget Commission must also approve the annual appropriation measure and subsequent amendments. Unencumbered 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 also approve estimated resources and amendments.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

- F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.
- G. Accumulated Leave** - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF LARUE**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ <u>169,991</u>	\$ <u>192,283</u>
Governmental fund types	\$ 13,470	\$ 24,916
Proprietary fund types	<u>156,521</u>	<u>167,367</u>
Total fund cash balances	\$ <u>169,991</u>	\$ <u>192,283</u>

**Deposits** – The Village’s deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF LARUE**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 3 - BUDGETARY ACTIVITY :-**

Budgetary activity for the year ending December 31, 2005 was as follows:

**2005 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 112,070	\$ 103,001	\$ ( 9,069)
Special Revenue	60,100	81,291	21,191
Enterprise	186,300	199,155	12,855
<b>Total</b>	<b>\$ 358,470</b>	<b>\$ 383,447</b>	<b>\$ 24,977</b>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 128,620	\$ 123,684	\$ 4,936
Special Revenue	64,465	72,054	( 7,589)
Enterprise	344,931	210,738	134,193
<b>Total</b>	<b>\$ 538,016</b>	<b>\$ 406,476</b>	<b>\$ 131,540</b>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2005 in the Special Revenue Funds by \$7,589.

Also contrary to Ohio law, appropriations exceeded actual resources available as of December 31, 2005 by \$9,069 in the General fund, \$1,000 in the Permissive Tax fund, and \$2,133 in the Water fund.

**VILLAGE OF LARUE**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 3 - BUDGETARY ACTIVITY**:- (continued)

Budgetary activity for the year ending December 31, 2004 was as follows:

**2004 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 89,607	\$ 113,087	\$ 23,480
Special Revenue	59,800	60,444	644
Enterprise	186,300	198,709	12,409
<b>Total</b>	<b>\$ 335,707</b>	<b>\$ 372,240</b>	<b>\$ 36,533</b>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 115,480	\$ 123,182	\$ ( 7,702)
Special Revenue	66,189	72,306	( 6,117)
Enterprise	365,201	234,641	130,560
<b>Total</b>	<b>\$ 546,870</b>	<b>\$ 430,129</b>	<b>\$ 116,741</b>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2004 in the General and Special Revenue Funds by \$7,702 and \$6,117, respectively.

Also contrary to Ohio law, appropriations exceeded actual resources available as of December 31, 2005 by \$2,597 in the Park fund and by \$2,566 in the Permissive Tax fund.



**VILLAGE OF LARUE  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**NOTE 4 - PROPERTY TAX:-**

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. The State Council of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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.

**NOTE 5 - DEBT:-**

Debt outstanding at December 31, 2005 was as follows:

	<b>Rate</b>	<b>Principal Balance 12/31/2005</b>
Ohio Public Works Commission	0.00%	\$ 140,000
USDA Loan #1 - Sewer System	4.50%	1,442,000
USDA Loan #2 - Sewer System	3.25%	186,000
		\$ 1,768,000

During 2000, the Village entered into a loan agreement with the Ohio Public Works Commission for assistance in replacing the Village's sewer system. The total loan amount was for \$195,000 with an interest rate of 0.00%, and payments are required over 20 years through January 1, 2020. As of December 31, 2005, the Village had an outstanding balance on the loan of \$140,000.

During 2000, the Village entered into two loan agreements with the United States Department of Agriculture, Rural Development, also known as USDA. These loan funds were used to pay off the interim financing for the completed sewer system project. The loan amounts were for \$1,491,000, with a fixed interest rate of 4.50%, and \$195,000, with a fixed interest rate of 3.25%. These loans require payments over 40 years through February 1, 2040. As of December 31, 2005, the Village had outstanding balances on the loans of \$1,442,000 and \$186,000, respectively. Total interest expense incurred was \$71,798 for 2005 and \$72,615 for 2004.

**VILLAGE OF LARUE  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**NOTE 5 - DEBT:-** (continued)

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 31,000	\$ 70,935	\$ 101,935
2007	32,000	70,028	102,028
2008	32,000	69,075	101,075
2009	33,000	68,123	101,123
2010	34,000	67,125	101,125
2011-2015	189,000	318,893	507,893
2016-2020	211,000	286,155	497,155
2021-2025	212,000	245,472	457,472
2026-2030	265,000	194,825	459,825
2031-2035	326,000	131,935	457,935
2036-2040	403,000	54,418	457,418
	<u>\$ 1,768,000</u>	<u>\$ 1,576,984</u>	<u>\$ 3,344,984</u>

**NOTE 6 - RETIREMENT SYSTEMS:-**

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

**NOTE 7 - RISK MANAGEMENT:-**

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

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

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

**VILLAGE OF LARUE**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

**NOTE 7 - RISK MANAGEMENT:-** (continued)

The Plan's financial statements are represented to conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>( 2,748,639)</u>	<u>( 2,227,808)</u>
Members' Equity	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 8 - BEGINNING BALANCE RESTATEMENT:-**

The Village has an arrangement with a state agency to collect a percentage of all insurance claims for property damage within the municipality. The funds are then deposited into a separate non-interest bearing bank account until the cleanup of the damaged property. Once the property is cleaned up, the insurance claim proceeds in escrow are remitted to the property owner. Historically, the Village did not record any related activity on its books and financial statements. In prior years, the escrow account was confirmed and the activity was audited. To improve the accountability of assets in the custody of the Village, the beginning balances as of January 1, 2004 have been restated to include the funds held in escrow. The escrow account revenues and expenditures for 2005 and 2004 have been recorded in a new Escrow Insurance Claims Fund (Special Revenue Fund) on the Village's combined statements.

	<u>Balance</u>
Special Revenue Funds, December 31, 2003	\$ 5,199
Restatement	<u>10,500</u>
Special Revenue Funds, January 1, 2004 (restated)	<u>\$ 15,699</u>



**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Village Council  
Village of LaRue  
Marion County

We have audited the accompanying financial statements of the Village of LaRue, Marion County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 16, 2006, wherein we noted the Village followed accounting practices the Auditor of State of Ohio 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-003 and 2005-004. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated June 16, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under Government Auditing Standards, which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated June 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

*Shullerok & Manton*

Certified Public Accountants

June 16, 2006

**VILLAGE OF LARUE  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2005-001</b>
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**Noncompliance Citation – Expenditures Exceed Appropriations**

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During compliance testing, it was noted that the budgetary expenditures exceeded appropriations throughout the year for several line items (Note 3 of financial statements). This condition limits the effectiveness of the Village compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Clerk deny payment request or purchase orders exceeding appropriations until the Village Council approves an increase to appropriations through a resolution and the Clerk then prepares an amendment to the original appropriation of expenditures.

**Officials' Response**

The Village is currently addressing the above issue and plans to improve the monitoring of this condition.

<b>Finding Number</b>	<b>2005-002</b>
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**Noncompliance Citation – Amending Certificates of Estimated Resources**

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Clerk that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Clerk monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary (See Note 3 of the financial statements).

**Officials' Response**

The Village is currently addressing the above issue and plans to implement procedures to prevent this condition from occurring in the future.

**VILLAGE OF LARUE  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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<b>Finding Number</b>	<b>2005-003</b>
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**Internal Control Reportable Condition – Escrow Funds**

The Village has an ordinance (1988-7) in effect, which requires that a portion of all insurance claims for property damage be remitted to the Village and held in escrow until the complete clean-up of the damaged property. The ordinance also specifies that whenever such funds are received, they would be deposited and accounted for in a separate fund.

During our audit procedures, we noted that funds were held in escrow both in 2004 and 2005, but none of the revenue and disbursement activity was properly recorded on the books, as required by the enacted ordinance. Based on our recommendation, the creation of a new Special Revenue Fund - Escrow Insurance Claims Fund – has been approved by Council. In addition, we have suggested, and management has approved, adjusting journal entries to record on the books all of the activity related to this fund.

**Officials’ Response**

The Village has approved the establishment of this fund and will include any related activity in the journals.

<b>Finding Number</b>	<b>2005-004</b>
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**Internal Control Reportable Condition – Annual Report and Ledger Posting and Classification Errors**

During our audit, we noted that for both 2005 and 2004, several mathematical and posting errors existed in the financial records and the annual financial report did not completely foot and crossfoot. The revenue ledgers for both 2005 and 2004 contained mathematical errors as well. Failure to accurately complete the annual financial report may contribute to the financial statements being materially misstated. Several line items were not consistently classified from year to year and others did not follow the prescribed classification by the Auditor of State.

We recommend proper completion of the annual financial report, verifying the report is mathematically accurate and in agreement with all of the Village ledgers. Further, we suggest that the most recent *Village Officers Handbook* (available online at the Auditor of State’s website) be utilized to verify proper account codes and classification in the preparation of the annual report and day-to-day accounting activities.

**Officials’ Response**

The Village is currently addressing the above issue and plans to implement procedures to prevent this condition from occurring in the future.

**VILLAGE OF LARUE**  
**MARION COUNTY**  
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2001-005	Establishing procedures for Village Pool Receipts	Yes	Cash registers and reconciliation processes were implemented.
2001-007	ORC 5705.41 - Expenditures exceed Appropriations	No	Not Corrected. Reported as finding 2005-001





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**VILLAGE OF LARUE**

**MARION 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 12, 2006**