



**VILLAGE OF LARUE
MARION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010-2011



Dave Yost • Auditor of State

VILLAGE OF LARUE
MARION COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of LaRue
Marion County
P.O. Box 33
LaRue, Ohio 43332

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of LaRue, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

We were unable to obtain sufficient evidence to support the completeness of charges for services receipts comprising 64% and 62% of total cash receipts in the Parks and Recreation Major Fund and 9% and 6% of the Governmental Activities in 2011 and 2010, respectively, nor were we able to satisfy ourselves as to those receipts by other auditing procedures.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than the accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding the regarding Parks and Recreation Fund and Governmental Activities charges for services for 2011 and 2010, as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of LaRue, Marion County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair, and Parks and Recreation funds thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 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. 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.



Dave Yost
Auditor of State

February 25, 2013

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011**

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 21,534	\$ 133,441	\$ 154,975
<i>Total Assets</i>	<u>\$ 21,534</u>	<u>\$ 133,441</u>	<u>\$ 154,975</u>
Net Assets			
Restricted for:			
Other Purposes	\$ 16,355	\$ -	\$ 16,355
Unrestricted	5,179	133,441	138,620
<i>Total Net Assets</i>	<u>\$ 21,534</u>	<u>\$ 133,441</u>	<u>\$ 154,975</u>

See accompanying notes to the basic financial statements

VILLAGE OF LARUE
MARION COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Current:						
Security of Persons and Property	\$ 34,067	\$ -	\$ -	\$ (34,067)	\$ -	\$ (34,067)
Public Health Services	601	-	-	(601)	-	(601)
Leisure Time Activities	42,487	16,731	1,742	(24,014)	-	(24,014)
Community Environment	-	96	-	96	-	96
Transportation	77,426	-	39,963	(37,463)	-	(37,463)
General Government	40,510	948	-	(39,562)	-	(39,562)
Debt Service:						
Principal Retirement	5,159	-	-	(5,159)	-	(5,159)
Interest and Fiscal Charges	619	-	-	(619)	-	(619)
<i>Total Governmental Activities</i>	<u>200,869</u>	<u>17,775</u>	<u>41,705</u>	<u>(141,389)</u>	<u>-</u>	<u>(141,389)</u>
Business-Type Activities						
Water	547,393	126,714	-	-	(420,679)	(420,679)
Sewer	143,138	140,104	-	-	(3,034)	(3,034)
Other Enterprise	1,490	1,575	-	-	85	85
<i>Total Business-Type Activities</i>	<u>692,021</u>	<u>268,393</u>	<u>-</u>	<u>-</u>	<u>(423,628)</u>	<u>(423,628)</u>
<i>Total Primary Government</i>	<u>\$ 892,890</u>	<u>\$ 286,168</u>	<u>\$ 41,705</u>	<u>(141,389)</u>	<u>(423,628)</u>	<u>(565,017)</u>
General Receipts:						
Property Taxes Levied for General Purposes				61,711	-	61,711
Property Taxes Levied for Parks				7,830	-	7,830
Grants and Entitlements not Restricted to Specific Programs				40,418	-	40,418
Other Debt Proceeds				-	424,140	424,140
Cable Franchise Fees				2,921	-	2,921
Earnings on Investments				432	-	432
Miscellaneous				6,483	-	6,483
<i>Total General Receipts</i>				<u>119,795</u>	<u>424,140</u>	<u>543,935</u>
Change in Net Assets				(21,594)	512	(21,082)
<i>Net Assets Beginning of Year</i>				<u>43,128</u>	<u>132,929</u>	<u>176,057</u>
<i>Net Assets End of Year</i>				<u>\$ 21,534</u>	<u>\$ 133,441</u>	<u>\$ 154,975</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General</u>	<u>Parks and Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,179	\$ 8,874	\$ 7,481	\$ 21,534
<i>Total Assets</i>	<u>\$ 5,179</u>	<u>\$ 8,874</u>	<u>\$ 7,481</u>	<u>\$ 21,534</u>
Fund Balances				
Restricted	\$ -	\$ 8,874	\$ 7,481	\$ 16,355
Unassigned	5,179	-	-	5,179
<i>Total Fund Balances</i>	<u>\$ 5,179</u>	<u>\$ 8,874</u>	<u>\$ 7,481</u>	<u>\$ 21,534</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 61,711	\$ 7,830	\$ -	\$ 69,541
Intergovernmental	40,418	1,742	39,963	82,123
Charges for Services	-	16,731	-	16,731
Fines, Licenses and Permits	3,965	-	-	3,965
Earnings on Investments	409	-	23	432
Miscellaneous	6,483	-	-	6,483
<i>Total Receipts</i>	<u>112,986</u>	<u>26,303</u>	<u>39,986</u>	<u>179,275</u>
Disbursements				
Current:				
Security of Persons and Property	34,067	-	-	34,067
Public Health Services	601	-	-	601
Leisure Time Activities	15,997	26,490	-	42,487
Transportation	36,027	-	41,399	77,426
General Government	40,510	-	-	40,510
Debt Service:				
Principal Retirement	1,720	1,720	1,719	5,159
Interest and Fiscal Charges	206	206	207	619
<i>Total Disbursements</i>	<u>129,128</u>	<u>28,416</u>	<u>43,325</u>	<u>200,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(16,142)	(2,113)	(3,339)	(21,594)
<i>Fund Balances Beginning of Year</i>	<u>21,321</u>	<u>10,987</u>	<u>10,820</u>	<u>43,128</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,179</u>	<u>\$ 8,874</u>	<u>\$ 7,481</u>	<u>\$ 21,534</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 64,026	\$ 64,026	\$ 61,711	\$ (2,315)
Intergovernmental	40,680	40,680	40,418	(262)
Fines, Licenses and Permits	12,500	12,500	3,965	(8,535)
Earnings on Investments	1,000	1,000	409	(591)
Miscellaneous	45,152	45,152	6,483	(38,669)
<i>Total Receipts</i>	163,358	163,358	112,986	(50,372)
Disbursements				
Current:				
Security of Persons and Property	36,000	36,000	34,067	1,933
Public Health Services	1,000	1,000	601	399
Leisure Time Activities	28,074	28,074	15,997	12,077
Transportation	40,000	40,000	36,027	3,973
General Government	56,358	56,358	40,510	15,848
Debt Service:				
Principal Retirement	1,720	1,720	1,720	-
Interest and Fiscal Charges	206	206	206	-
<i>Total Disbursements</i>	163,358	163,358	129,128	34,230
<i>Excess of Receipts Over (Under) Disbursements</i>	-	-	(16,142)	(16,142)
<i>Fund Balance Beginning of Year</i>	21,321	21,321	21,321	-
<i>Fund Balance End of Year</i>	\$ 21,321	\$ 21,321	\$ 5,179	\$ (16,142)

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 9,452	\$ 9,452	\$ 7,830	\$ (1,622)
Intergovernmental	-	-	1,742	1,742
Charges for Services	23,245	23,245	16,731	(6,514)
<i>Total Receipts</i>	<u>32,697</u>	<u>32,697</u>	<u>26,303</u>	<u>(6,394)</u>
Disbursements				
Current:				
Leisure Time Activities	30,771	30,771	26,490	4,281
Debt Service:				
Principal Retirement	1,720	1,720	1,720	-
Interest and Fiscal Charges	206	206	206	-
<i>Total Disbursements</i>	<u>32,697</u>	<u>32,697</u>	<u>28,416</u>	<u>4,281</u>
<i>Net Change in Fund Balance</i>	-	-	(2,113)	(2,113)
<i>Fund Balance Beginning of Year</i>	<u>10,987</u>	<u>10,987</u>	<u>10,987</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 10,987</u>	<u>\$ 10,987</u>	<u>\$ 8,874</u>	<u>\$ (2,113)</u>

See accompanying notes to the basic financial statements

VILLAGE OF LARUE
MARION COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2011

	Business-Type Activities			
	Water Fund	Sewer Fund	Other Enterprise Fund	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 29,520	\$ 98,261	\$ 5,660	\$ 133,441
<i>Total Assets</i>	<u>\$ 29,520</u>	<u>\$ 98,261</u>	<u>\$ 5,660</u>	<u>\$ 133,441</u>
Net Assets				
Unrestricted	\$ 29,520	\$ 98,261	\$ 5,660	\$ 133,441
<i>Total Net Assets</i>	<u>\$ 29,520</u>	<u>\$ 98,261</u>	<u>\$ 5,660</u>	<u>\$ 133,441</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND ASSETS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$ 126,714	\$ 140,104	\$ 1,575	\$ 268,393
Operating Disbursements				
Personal Services	19,119	9,840	-	28,959
Employee Fringe Benefits	4,474	3,472	-	7,946
Contractual Services	150,270	26,838	1,490	178,598
Supplies and Materials	54,666	1,906	-	56,572
Other	359	-	-	359
<i>Total Operating Disbursements</i>	<u>228,888</u>	<u>42,056</u>	<u>1,490</u>	<u>272,434</u>
<i>Operating Income (Loss)</i>	<u>(102,174)</u>	<u>98,048</u>	<u>85</u>	<u>(4,041)</u>
Non-Operating Receipts (Disbursements)				
Other Debt Proceeds	424,140	-	-	424,140
Capital Outlay	(302,614)	-	-	(302,614)
Principal Retirement	(15,684)	(35,000)	-	(50,684)
Interest and Other Fiscal Charges	(207)	(66,082)	-	(66,289)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>105,635</u>	<u>(101,082)</u>	<u>-</u>	<u>4,553</u>
<i>Change in Net Assets</i>	3,461	(3,034)	85	512
<i>Net Assets Beginning of Year</i>	<u>26,059</u>	<u>101,295</u>	<u>5,575</u>	<u>132,929</u>
<i>Net Assets End of Year</i>	<u>\$ 29,520</u>	<u>\$ 98,261</u>	<u>\$ 5,660</u>	<u>\$ 133,441</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010**

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 43,128	\$ 132,929	\$ 176,057
<i>Total Assets</i>	<u>\$ 43,128</u>	<u>\$ 132,929</u>	<u>\$ 176,057</u>
Net Assets			
Restricted for:			
Other Purposes	\$ 21,807	\$ -	\$ 21,807
Unrestricted	<u>21,321</u>	<u>132,929</u>	<u>154,250</u>
<i>Total Net Assets</i>	<u>\$ 43,128</u>	<u>\$ 132,929</u>	<u>\$ 176,057</u>

See accompanying notes to the basic financial statements

VILLAGE OF LARUE
MARION COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Current:						
Security of Persons and Property	\$ 35,090	\$ -	\$ -	\$ (35,090)	\$ -	\$ (35,090)
Public Health Services	1,000	-	-	(1,000)	-	(1,000)
Leisure Time Activities	53,308	15,869	1,968	(35,471)	-	(35,471)
Community Environment	-	220	-	220	-	220
Transportation	75,007	-	43,685	(31,322)	-	(31,322)
General Government	41,676	1,801	-	(39,875)	-	(39,875)
Capital Outlay	41,167	-	-	(41,167)	-	(41,167)
Debt Service:						
Principal Retirement	2,021	-	-	(2,021)	-	(2,021)
Interest and Fiscal Charges	29	-	-	(29)	-	(29)
<i>Total Governmental Activities</i>	<u>249,298</u>	<u>17,890</u>	<u>45,653</u>	<u>(185,755)</u>	<u>-</u>	<u>(185,755)</u>
Business-Type Activities						
Water	204,033	113,423	-	-	(90,610)	(90,610)
Sewer	145,852	139,783	-	-	(6,069)	(6,069)
Other Enterprise	700	1,575	-	-	875	875
<i>Total Business-Type Activities</i>	<u>350,585</u>	<u>254,781</u>	<u>-</u>	<u>-</u>	<u>(95,804)</u>	<u>(95,804)</u>
<i>Total Primary Government</i>	<u>\$ 599,883</u>	<u>\$ 272,671</u>	<u>\$ 45,653</u>	<u>(185,755)</u>	<u>(95,804)</u>	<u>(281,559)</u>
General Receipts:						
Property Taxes Levied for General Purposes				62,849	-	62,849
Property Taxes Levied for Parks				7,830	-	7,830
Grants and Entitlements not Restricted to Specific Programs				61,835	-	61,835
Other Debt Proceeds				41,167	89,105	130,272
Cable Franchise Fees				3,613	-	3,613
Earnings on Investments				733	-	733
Miscellaneous				3,955	-	3,955
<i>Total General Receipts</i>				<u>181,982</u>	<u>89,105</u>	<u>271,087</u>
Change in Net Assets				(3,773)	(6,699)	(10,472)
<i>Net Assets Beginning of Year</i>				<u>46,901</u>	<u>139,628</u>	<u>186,529</u>
<i>Net Assets End of Year</i>				<u>\$ 43,128</u>	<u>\$ 132,929</u>	<u>\$ 176,057</u>

See accompanying notes to the basic financial statements

VILLAGE OF LARUE
MARION COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Street Constuction, Maintenance and Repair Fund	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 21,321	\$ 7,503	\$ 10,987	\$ 3,317	\$ 43,128
<i>Total Assets</i>	<u>\$ 21,321</u>	<u>\$ 7,503</u>	<u>\$ 10,987</u>	<u>\$ 3,317</u>	<u>\$ 43,128</u>
Fund Balances					
Restricted	\$ -	\$ 7,503	\$ 10,987	\$ 3,317	\$ 21,807
Unassigned	21,321	-	-	-	21,321
<i>Total Fund Balances</i>	<u>\$ 21,321</u>	<u>\$ 7,503</u>	<u>\$ 10,987</u>	<u>\$ 3,317</u>	<u>\$ 43,128</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Street Constuction, Maintenance and Repair Fund	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 62,849	\$ -	\$ 7,830	\$ -	\$ 70,679
Intergovernmental	61,835	35,875	1,968	7,810	107,488
Charges for Services	-	-	15,869	-	15,869
Fines, Licenses and Permits	5,634	-	-	-	5,634
Earnings on Investments	684	34	-	15	733
Miscellaneous	3,955	-	-	-	3,955
<i>Total Receipts</i>	<u>134,957</u>	<u>35,909</u>	<u>25,667</u>	<u>7,825</u>	<u>204,358</u>
Disbursements					
Current:					
Security of Persons and Property	35,090	-	-	-	35,090
Public Health Services	1,000	-	-	-	1,000
Leisure Time Activities	33,146	-	20,162	-	53,308
Transportation	29,000	36,857	-	9,150	75,007
General Government	41,676	-	-	-	41,676
Capital Outlay	41,167	-	-	-	41,167
Debt Service:					
Principal Retirement	2,021	-	-	-	2,021
Interest and Fiscal Charges	29	-	-	-	29
<i>Total Disbursements</i>	<u>183,129</u>	<u>36,857</u>	<u>20,162</u>	<u>9,150</u>	<u>249,298</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,172)</u>	<u>(948)</u>	<u>5,505</u>	<u>(1,325)</u>	<u>(44,940)</u>
Other Financing Sources					
Other Debt Proceeds	41,167	-	-	-	41,167
<i>Total Other Financing Sources</i>	<u>41,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,167</u>
<i>Net Change in Fund Balances</i>	(7,005)	(948)	5,505	(1,325)	(3,773)
<i>Fund Balances Beginning of Year</i>	<u>28,326</u>	<u>8,451</u>	<u>5,482</u>	<u>4,642</u>	<u>46,901</u>
<i>Fund Balances End of Year</i>	<u>\$ 21,321</u>	<u>\$ 7,503</u>	<u>\$ 10,987</u>	<u>\$ 3,317</u>	<u>\$ 43,128</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 82,938	\$ 82,938	\$ 62,849	\$ (20,089)
Intergovernmental	48,640	48,640	61,835	13,195
Fines, Licenses and Permits	15,229	15,229	5,634	(9,595)
Earnings on Investments	1,269	1,269	684	(585)
Miscellaneous	5,838	5,838	3,955	(1,883)
<i>Total Receipts</i>	153,914	153,914	134,957	(18,957)
Disbursements				
Current:				
Security of Persons and Property	26,000	26,000	35,090	(9,090)
Public Health Services	1,000	1,000	1,000	-
Leisure Time Activities	42,950	42,950	33,146	9,804
Transportation	29,000	29,000	29,000	-
General Government	52,914	52,914	41,676	11,238
Capital Outlay	-	-	41,167	(41,167)
Debt Service:				
Principal Retirement	2,021	2,021	2,021	-
Interest and Fiscal Charges	29	29	29	-
<i>Total Disbursements</i>	153,914	153,914	183,129	(29,215)
<i>Excess of Receipts Over (Under) Disbursements</i>	-	-	(48,172)	(48,172)
Other Financing Sources				
Other Debt Proceeds	-	-	41,167	41,167
<i>Total Other Financing Sources</i>	-	-	41,167	41,167
<i>Net Change in Fund Balance</i>	-	-	(7,005)	(7,005)
<i>Fund Balance Beginning of Year</i>	28,326	28,326	28,326	-
<i>Fund Balance End of Year</i>	\$ 28,326	\$ 28,326	\$ 21,321	\$ (7,005)

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 21,469	\$ 21,469	\$ -	\$ (21,469)
Intergovernmental	53,682	53,682	35,875	(17,807)
Earnings on Investments	1,386	1,386	34	(1,352)
<i>Total Receipts</i>	<u>76,537</u>	<u>76,537</u>	<u>35,909</u>	<u>(40,628)</u>
Disbursements				
Current:				
Transportation	76,537	76,537	36,857	39,680
<i>Total Disbursements</i>	<u>76,537</u>	<u>76,537</u>	<u>36,857</u>	<u>39,680</u>
<i>Net Change in Fund Balance</i>	-	-	(948)	(948)
<i>Fund Balance Beginning of Year</i>	8,451	8,451	8,451	-
<i>Fund Balance End of Year</i>	<u>\$ 8,451</u>	<u>\$ 8,451</u>	<u>\$ 7,503</u>	<u>\$ (948)</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 12,378	\$ 12,378	\$ 7,830	\$ (4,548)
Intergovernmental	-	-	1,968	1,968
Charges for Services	18,622	18,622	15,869	(2,753)
<i>Total Receipts</i>	<u>31,000</u>	<u>31,000</u>	<u>25,667</u>	<u>(5,333)</u>
Disbursements				
Current:				
Leisure Time Activities	31,000	31,000	20,162	10,838
<i>Total Disbursements</i>	<u>31,000</u>	<u>31,000</u>	<u>20,162</u>	<u>10,838</u>
<i>Net Change in Fund Balance</i>	-	-	5,505	5,505
<i>Fund Balance Beginning of Year</i>	<u>5,482</u>	<u>5,482</u>	<u>5,482</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,482</u>	<u>\$ 5,482</u>	<u>\$ 10,987</u>	<u>\$ 5,505</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2010**

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 26,059	\$ 101,295	\$ 5,575	\$ 132,929
<i>Total Assets</i>	<u>\$ 26,059</u>	<u>\$ 101,295</u>	<u>\$ 5,575</u>	<u>\$ 132,929</u>
Net Assets				
Unrestricted	\$ 26,059	\$ 101,295	\$ 5,575	\$ 132,929
<i>Total Net Assets</i>	<u>\$ 26,059</u>	<u>\$ 101,295</u>	<u>\$ 5,575</u>	<u>\$ 132,929</u>

See accompanying notes to the basic financial statements

**VILLAGE OF LARUE
MARION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND ASSETS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Sewer Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$ 113,423	\$ 139,783	\$ 1,575	\$ 254,781
Operating Disbursements				
Personal Services	20,179	8,701	-	28,880
Employee Fringe Benefits	4,750	4,421	-	9,171
Contractual Services	92,457	23,207	700	116,364
Supplies and Materials	53,595	3,192	-	56,787
Other	166	206	-	372
<i>Total Operating Disbursements</i>	<u>171,147</u>	<u>39,727</u>	<u>700</u>	<u>211,574</u>
<i>Operating Income (Loss)</i>	<u>(57,724)</u>	<u>100,056</u>	<u>875</u>	<u>43,207</u>
Non-Operating Receipts (Disbursements)				
Other Debt Proceeds	89,105	-	-	89,105
Capital Outlay	(18,921)	-	-	(18,921)
Principal Retirement	(13,965)	(39,000)	-	(52,965)
Interest and Other Fiscal Charges	-	(67,125)	-	(67,125)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>56,219</u>	<u>(106,125)</u>	<u>-</u>	<u>(49,906)</u>
<i>Change in Net Assets</i>	(1,505)	(6,069)	875	(6,699)
<i>Net Assets Beginning of Year</i>	<u>27,564</u>	<u>107,364</u>	<u>4,700</u>	<u>139,628</u>
<i>Net Assets End of Year</i>	<u>\$ 26,059</u>	<u>\$ 101,295</u>	<u>\$ 5,575</u>	<u>\$ 132,929</u>

See accompanying notes to the basic financial statements

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**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 1 – Reporting Entity

The Village of LaRue, Marion County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four year term, serves as president of Council and votes only to break a tie.

The reporting entity is comprised of the primary government that was included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, and park operations. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

C. Public Entity Risk Pool

The Village participates in the Ohio Government Risk Management Plan (the "Plan") public entity risk pool. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its Members. Note 8 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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Village's basic financial statements consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and enterprise.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has the following major governmental funds:

General Fund – The general fund is used to account for all financial resources, except those required to be accounted for 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.

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle license tax monies to construct, maintain, and repair Village streets.

Parks and Recreation Fund – This fund receives pool and concession fees from patrons for park operations.

The other governmental funds of the Village account for other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds- Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village has the following major enterprise funds:

Water Fund – The water fund accounts for the provision of water services to the residents and commercial users within the Village.

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

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursement are recorded when cash is paid rather than when a liability is incurred.

VILLAGE OF LARUE
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounts. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriation ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

VILLAGE OF LARUE
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2011 and 2010, the Village maintained interest bearing checking accounts.

Interest earnings are allocated to the Village funds according to State statutes. Interest receipts credited to the General Fund during 2011 were \$409.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities or long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction, maintenance and repair and park development.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

VILLAGE OF LARUE
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

VILLAGE OF LARUE
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Fund Balance (Continued)

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.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursement in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Accounting Principle

For 2011 and 2010, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement 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. The implementation of GASB Statement No. 54 did not have an effect on fund balances previously reported.

Note 4 – Compliance

In violation of Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations within the General Fund in 2010 by \$9,090 in Security of Persons & Property and by \$41,167 in the Capital Outlay.

In violation of Ohio Rev. Code Section 9.38, pool receipts were not deposited timely by the Village.

In violation of Sections 8 and 10 of the Sanitary Sewer System Improvement Mortgage Revenue Bonds Ordinance No. 2000-5, the Village did not execute a required fidelity bond, did not establish required funds, and did not set sewer rates sufficient to cover expenses in the Sewer Fund.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General and Street Construction, Maintenance and Repair Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 6 – Deposits and Investments (Continued)

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes, and property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$13.20 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

	2011	2010
Real Property		
Residential	\$5,600,930	\$5,759,140
Agriculture	\$52,310	\$71,440
Commercial/Industrial/Mineral	\$750,620	\$774,610
Public Utility Personal Property		
Real	3,860	13,110
Personal	318,020	300,810
Tangible Personal Property	-	19,000
Total	\$6,725,740	\$6,938,110

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 8 – 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.

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively (latest information available). The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 8 – Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the years ended December 31, 2011 and 2010, members in the state and local divisions contributed 10 percent of covered payroll.

The Village's contribution rate for 2011 and 2010 was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010 (the latest information available). Employer contribution rates are actuarially determined.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 9 – Defined Benefit Pension Plans (Continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010 and 2009 were \$10,157, \$10,510, and \$5,899 respectively. The full amount has been contributed for 2011, 2010, and 2009.

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 10 – Postemployment Benefits (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010 and 2009 was \$508, \$525, and \$2,317. The full amount has been contributed for 2011, 2010, and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 11 – Debt

The Village's long-term debt activity for the year ended December 31, 2010, was as follows:

		Balance			Balance	
	Interest	December 31,			December 31,	Due within
	Rate	2009	Additions	Reductions	2010	One Year
<u>Governmental Activities</u>						
Ball Field Loan	8.75%	\$2,021	\$0	\$2,021	\$0	\$0
Truck Loan	4.00%	\$0	\$41,167	\$0	\$41,167	\$6,878
Total Governmental Activities		2,021	41,167	2,021	41,167	6,878
<u>Business Type Activities</u>						
USDA Loan #1	4.50%	\$1,366,000	\$0	\$21,000	\$1,345,000	\$22,000
USDA Loan #2	3.25%	174,000	0	3,000	171,000	3,000
OPWC Loan	0.00%	105,000	0	15,000	90,000	10,000
OWDA Loan	4.00%	38,603	89,105	13,965	113,743	13,965
Total Business Type Activities		1,683,603	89,105	52,965	1,719,743	48,965

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 11 – Debt (Continued)

The Village's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest	Balance			Balance	
	Rate	December 31,			December 31,	Due within
		2010	Additions	Reductions	2011	One Year
<u>Governmental Activities</u>						
Truck Loan	4.00%	\$41,167	\$0	\$6,878	\$34,289	\$6,327
<u>Business Type Activities</u>						
USDA Loan #1	4.50%	\$1,345,000	\$0	\$22,000	\$1,323,000	\$23,000
USDA Loan #2	3.25%	171,000	0	3,000	168,000	4,000
OPWC Loan	0.00%	90,000	0	10,000	80,000	10,000
OWDA Loan	4.42%	113,743	424,140	13,965	523,918	13,965
Total Business Type Activities		1,719,743	424,140	48,965	2,094,918	50,965

In 2011, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for assistance in constructing a new Water Treatment Plant, well field, and distribution systems. The total loan amount was \$1,873,790 with an interest rate of 1.5%. This loan includes funds to pay off the 2009 loan agreement with OWDA, totaling \$558,600. As of December 31, 2011 only \$551,848 has been disbursed to the Village. The Village is still drawing on these funds. While the Village has made payments related to the 2009 loan agreement, no amortization schedule has been created.

Also in 2011, the Village entered into a grant/loan agreement with the Ohio Public Works Commission (OPWC) for the LaRue Water System Improvements, totaling \$455,000. \$250,000 was awarded in the form of the grant with the remaining \$205,000 being a loan. As of December 31, 2011 no funds had been received and an amortization schedule has not been created.

In 2010, the Village obtained a loan from a local financial institution for the purchase of a truck. The loan amount was \$41,267 with an interest rate of 4.00% to be paid in six annual payments of \$7,703.

In 2007, the Village obtained a loan from a local financial institution for the installation of a new ball field at the Village Park. The loan amount was \$35,000 with an interest rate of 8.75% to be paid in monthly installments over 5 years. The final payment was made in 2010.

In 2000, the Village entered into two loan agreements with the United States Department of Agriculture (USDA) to pay off interim financing for the completed sewer system project. The first loan amount was \$1,491,000, with a fixed interest rate of 4.5% over 40 years. The second loan amount was \$195,000, with a fixed interest rate of 3.25% over 40 years. These loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 11 – Debt (Continued)

In 2000, the Village also entered into a loan agreement with the Ohio Public Works Commission (OPWC) for assistance in replacing the Village’s sewer system. The loan amount was \$195,000 with an interest rate of 0%, and will be repaid in semiannual installments of \$5,000 over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The following is a summary of the Village’s future annual debt service requirements:

Year	Truck Loan		USDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	6,327	1,376	27,000	64,995	10,000	0
2013	6,581	1,122	28,000	63,830	10,000	0
2014	6,844	859	29,000	62,620	10,000	0
2015	7,412	526	30,000	61,365	10,000	0
2016	7,125	360	31,000	60,065	10,000	0
2017-2021	0	0	179,000	278,722	30,000	0
2022-2026	0	0	222,000	236,245	0	0
2027-2031	0	0	276,000	183,275	0	0
2032-2036	0	0	340,000	117,702	0	0
2037-2040	0	0	329,000	36,797	0	0
Totals	<u>\$ 34,289</u>	<u>\$ 4,243</u>	<u>\$1,491,000</u>	<u>\$1,165,616</u>	<u>\$80,000</u>	<u>\$ 0</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$729,360 and an unvoted debt margin of \$382,046.

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**VILLAGE OF LARUE
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

Note 12 – Fund Balances (Continued)

Fund Balances	General Fund	Street Construction Maintenance and Repair Fund	Parks and Recreation Fund	Other Governmental Funds	Total
2010:					
Restricted for					
Road Improvements	0	7,503	0	3,317	10,820
Recreation	0	0	10,987	0	10,987
<i>Total Restricted</i>	<u>0</u>	<u>7,503</u>	<u>10,987</u>	<u>3,317</u>	<u>21,807</u>
Unassigned:	21,321	0	0	0	21,321
<i>Total Fund Balances</i>	<u>\$21,321</u>	<u>\$7,503</u>	<u>\$10,987</u>	<u>\$3,317</u>	<u>\$43,128</u>
2011:					
Restricted for					
Road Improvements	0		0	7,481	7,481
Recreation	0		8,874	0	8,874
<i>Total Restricted</i>	<u>0</u>		<u>8,874</u>	<u>7,481</u>	<u>16,355</u>
Unassigned:	5,179		0	0	5,179
<i>Total Fund Balances</i>	<u>\$5,179</u>		<u>\$8,874</u>	<u>\$7,481</u>	<u>\$21,534</u>



Dave Yost • Auditor of State

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

Village of LaRue
Marion County
P.O. Box 33
LaRue, Ohio 43332

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of LaRue, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 25, 2013, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Additionally, we noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We also qualified our opinion on the Parks and Recreation fund and Governmental Activities charges for services because we were unable to determine the completeness of those receipts for 2010 and 2011. Except as noted in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001, 2011-004, and 2011-006 described in the accompanying schedule of findings to be material weaknesses.

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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-002, 2011-003, and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 25, 2013.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

February 25, 2013

**VILLAGE OF LARUE
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Clerk/Treasurer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Seventy-five audit adjustments and reclassifications were made to the financial statements to accurately reflect receipts and expenditures. These adjustments and reclassifications ranged in dollar amounts from \$64 to \$444,766. Below are descriptions of the types of adjustments and reclassifications that were deemed material and required posting to the Village's December 31, 2011 and 2010 financial statements.

- Misclassification of the receipts reported as program cash receipts and general receipts on the Statement of Activities.
- Improper posting of park levy property tax and intergovernmental receipts in the General Fund rather than the Parks and Recreation Fund.
- Misclassification of property tax receipts at net rather than gross.
- Misclassification of loan proceeds as capital grants and contributions in the Business-Type Activities and as intergovernmental receipts in the Water Fund.
- Misclassification of personal services, employee fringe benefits, supplies & materials, capital outlay, principal payments, interest & fiscal charges, and other disbursements as contractual services disbursements in the Water Fund and the Sewer Fund.
- Misclassification of redemption of principal and interest & fiscal charges as leisure time activities in the General Fund and Parks and Recreation Fund and as transportation in the Street Construction, Maintenance and Repair Fund.
- To record the purchase of a truck and the related loan proceeds in the General Fund.
- Misclassification of the 2011 & 2010 State Highway Fund as a major fund and the classification of the 2011 Parks and Recreation Fund as a major fund.
- Misclassification of homestead and rollback receipts from property tax receipts to intergovernmental receipts in the General Fund.
- Misclassification of motor vehicle license tax receipts as property tax receipts rather than intergovernmental receipts in the Street Construction, Maintenance and Repair Fund and the State Highway Fund.
- Improper posting of permissive motor vehicle license tax receipts and related disbursements in the Street Construction, Maintenance and Repair Fund rather than in the Permissive Motor Vehicle License Tax Fund.
- Improper reporting of the original and final budgeted amounts on the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis in the General Fund, the Street Construction, Maintenance and Repair Fund, and the Parks and Recreation Fund.

The Village has posted the proposed audit fund balance adjustments to the financial statements and accounting records.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-001 (Continued)

Material Weakness – Financial Reporting (Continued)

We recommend the Village implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

We did not receive a response from officials to the above finding.

FINDING NUMBER 2011-002

Material Noncompliance – Timely Depositing

Ohio Revised Code § 9.38 states that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the Treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such a time as the moneys are deposited.

During 2010 and 2011, the Village's daily pool receipts were not deposited to the bank by the pool manager by the business day following the day of receipt for twenty-nine percent of receipts reviewed. We noted an instance in which pool receipts were held forty days before being deposited. The Council did not adopt a policy permitting the Village officials to hold monies past the next business day.

Holding significant amounts of cash increases the possibility of loss or theft, and decreases the Council's ability to ensure fiscal responsibility over Village monies.

We recommend the Clerk/Treasurer or a designated Village employee deposit all monies received for Village purposes immediately into the Village's designated depository or develop a policy that permits a different time period, not to exceed three business days next following the day of receipt.

Officials' Response:

This finding has been corrected as of last pool season (2012) and deposits are being made daily.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-003

Material Noncompliance – Expenditures Exceed Appropriations

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. Ohio Rev. Code § 5705.38(C) states that appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services.

At December 31, 2010, budgetary expenditures exceeded appropriations as follows:

Fund	Account	Appropriations	Budgetary Expenditures	Variance
General	Security of Persons & Property	\$26,000	\$35,090	(\$9,090)
General	Capital Outlay	0	41,167	(41,167)

We recommend the Village closely monitor budget vs. actual reports throughout the year to ensure expenditures do not exceed appropriations. In order to keep expenditures within appropriated amounts, the Village may amend the annual appropriation measure by approving supplemental appropriations.

Officials' Response:

We did not receive a response from officials to the above finding.

**VILLAGE OF LARUE
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING 2011-004

Material Weakness – Budgetary Posting

The Village should post to its receipt and expenditure ledgers in a timely manner, the estimated receipts as certified to the County Budget Commission and appropriations as approved by the Village Council to allow for monitoring of budget vs. actual receipts and expenditures.

As of December 31, 2010, the budgeted receipts and expenditures posted to the Village's accounting ledgers varied from the estimated receipts certified by the County Budget Commission and appropriations approved by the Council as follows:

Year	Fund	Estimated Receipts Posted	Estimated Receipts Certified by Budget Commission	Variance
2010	General	\$121,280	\$153,914	(\$32,634)
2010	Street Construction, Maintenance and Repair	50,874	76,537	(25,663)
2010	Parks and Recreation	23,472	31,000	(7,528)

Year	Fund	Appropriations Posted	Appropriations Approved by Village Council	Variance
2010	General	\$168,914	\$153,914	\$15,000
2010	Parks and Recreation	25,169	31,000	(5,831)

Failure to post budgeted amounts accurately and timely results in the inability to monitor budgeted vs. actual receipts and expenditures, and thus, may impair the Village's ability to detect possible errors or irregularities.

In order to effectively monitor budget versus actual activity of the Village, we recommend the Clerk/Treasurer implement procedures to ensure estimated receipts certified by the County Budget Commission and appropriations approved by the Village Council are timely and accurately posted to the accounting ledgers.

Officials' Response:

We did not receive a response from officials to the above finding.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-005

Material Noncompliance – Debt Covenants

Ohio Rev. Code Section 5705.09 (F) provides that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Section 8 of the Sanitary Sewer System Improvement Mortgage Revenue Bonds Ordinance No. 2000-5 provides that the treasurer of the Village shall execute and keep in force a fidelity bond in an amount not less than \$10,000, provided that if the United States is the holder of any of the Bonds authorized hereby, the fidelity bond shall be with a surety company, and in an amount, approved by the appropriate official of the United States of America, and the Village shall be named as co-obligee in such bond.

Furthermore, Section 8(A) of the Sanitary Sewer System Improvement Mortgage Revenue Bonds Ordinance No. 2000-5 states that the gross income and revenues from the system shall be set aside into a separate fund to be designated the Sanitary Sewer System Revenue Fund (hereinafter called the "Revenue Fund"), which fund is hereby established and monies therein shall be expended and used only in the manner and order as follows:

1. Operation and Maintenance Fund. There shall be transferred each month from the Revenue Fund a sufficient portion of the income and revenues to the Operation and Maintenance Fund, which such fund is hereby established to pay the reasonable and necessary current expenses of operation and maintaining the system for the ensuing month.
2. Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund. After the transfer required in (1) above, there shall be transferred each month from the Revenue Fund before any other expenditures or transfers therefrom, and deposited in the Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund (the "Sinking Fund"), which such fund is hereby established for payment of principal and interest on the Bonds, a sum equal to at least one-twelfth (1/12) (or such larger amount as is necessary) of the sum of the amount of interest due on the next ensuing interest payment date with respect to all Bonds outstanding plus the amount necessary to provide for payment of the next ensuing principal maturing of all bonds outstanding. If for any reason there is a failure to make such monthly deposit, then an amount equal to the deficiency shall be set aside and deposited in the Sinking Fund out of the net revenues of the System in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required during such succeeding month or months.

Whenever there shall accumulate in the Sinking fund amounts in excess of the requirements during the next twelve (12) months for paying the principal of bonds falling due and interest on all outstanding Bonds and in excess of the requirements of the Operation and Maintenance Fund and the Reserve Fund hereinafter established, such excess may be used by the Village for redemption of Bonds in the manner set out in Section 3 of this ordinance.

If there is a paying agent for any of the Bonds, the treasurer of the Village shall place on deposit not later than fifteen (15) days before each interest payment date of Bonds with such agent an amount sufficient to pay the principal of and interest on the Bonds.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

Material Noncompliance – Debt Covenants (Continued)

3. Reserve Fund. Out of the balance of income and revenue of the system after the transfers required in (1) and (2) above, have been made, there shall be set aside and deposited in the Reserve Fund, which such fund is hereby established, the sum of \$770 each month. With the approval of the United States of America, the Reserve Fund shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the system which may be caused by an unforeseen catastrophe, and when necessary for the purpose of making payments of principal and interest on the Bonds hereby authorized if the amount in the Sinking Fund is not sufficient to meet such payments. The funds in the Reserve Fund may be invested in obligations of the United States of America or in time or savings deposits in accordance with applicable State laws. Any such investment and the interest earned thereon shall be a part of the Reserve Fund.

Surplus funds shall be retained in the Revenue Fund and may be used for making extensions or improvements to the system, redeeming outstanding bonds, redeeming outstanding bonds prior to maturity, paying other obligations issued to finance improvements to the system, and any other use of the revenues of the system authorized by law.

Lastly, Section 10 of the Sanitary Sewer System Improvement Mortgage Revenue Bonds Ordinance No. 2000-5 states that the rates and charges for all services and facilities rendered by the system shall be reasonable and just, taking into consideration the cost and value of said system and the cost of maintaining, repairing and operating the same and the amounts necessary for the retirement of the bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this section and the requirements of Section 8 hereof.

During 2011 and 2010, the Village did not execute a fidelity bond as required by Section 8. Furthermore, the Village created a Sewer Operating Fund to account for all activity of the system, rather than establishing the Sanitary Sewer System Revenue Fund, Operation and Maintenance Fund, Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund, and Reserve Fund as required by Section 8(A). Lastly, in both 2011 and 2010, the sewer rates charged by the Village were insufficient to meet the requirements in Sections 8 and 10, resulting in expenses exceeding revenues by \$3,034 and \$6,069, respectively.

Failure to comply with all applicable debt requirements may result in the Village defaulting on such debt.

We recommend the Village execute a fidelity bond in an amount not less than \$10,000 or in an amount approved by an appropriate official of the United States of America. We further recommend the Village establish a Sanitary Sewer System Revenue Fund, Operation and Maintenance Fund, Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund, and Reserve Fund as required and defined in Section 8 of the bond ordinance. Lastly, we recommend the Village adequately set sewer rates and charges to meet the requirements in Sections 8 and 10 of the bond ordinance.

Officials' Response:

The Board of Public Affairs has taken steps to build up a revenue fund and will review all documentation to make sure they are in compliance with USDA.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING 2011-006

Material Weakness – Pool Receipts Supporting Documentation

The Village operates and manages the LaRue Pool. The Village could not consistently provide documentation to support daily pool receipts of \$15,869 in 2010 and \$16,731 in 2011, such as register tapes for admissions and concessions, daily reconciliation sheets, or documentation of head counts and season passes issued.

Failure to maintain such supporting documentation for daily pool receipts limits the ability of the Village's Council and management to ensure the completeness and accuracy of such receipts. Lack of supporting documentation over pool receipts also increases the likelihood of undetected fraud, illegal activity, or misuse of the Village's assets. Additionally, in the absence of such underlying supporting documentation, the audit opinion was qualified because sufficient assurance could not be obtained over the completeness of reported 2011 and 2010 pool receipts (charges for services) in the Parks and Recreation Fund as well as the Governmental Activities and we were not able to satisfy ourselves as to the completeness of those receipts by other auditing procedures.

We recommend the Village implement policies and procedures to ensure daily pool receipts are supported by appropriate documentation, such as register tapes, daily reconciliation sheets, and record of season passes issued and pool parties scheduled. This documentation should be maintained for all days in which pool receipts are collected.

Officials' Response:

We did not receive a response from officials to the above finding.

**VILLAGE OF LARUE
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Financial Reporting	No	Reissued as Finding 2011-001
2009-002	Ohio Rev. Code Section 9.38 - Timely Depositing	No	Reissued as Finding 2011-002
2009-003	Ohio Rev. Code Section 5705.41(B) - Expenditures Exceeding Appropriations	No	Reissued as Finding 2011-003



Dave Yost • Auditor of State

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
APRIL 9, 2013