



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

VILLAGE OF LARUE  
MARION COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2013 and 2012  
Fiscal Years Audited Under GAGAS: 2013 and 2012





# Dave Yost • Auditor of State

Village Council  
Village of LaRue  
P.O. Box 33  
LaRue, Ohio 43332

We have reviewed the *Independent Auditor's Report* of the Village of LaRue, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 8, 2014

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**Village of LaRue  
Marion County**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

To the Village Council:

### Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of LaRue, Marion County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

**Opinion on Regulatory Basis of Accounting**

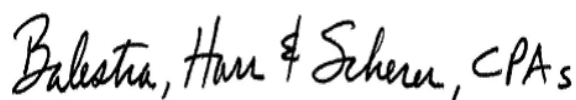
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of LaRue, Marion County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

**Emphasis of Matter**

As discussed in Note 10 to the financial statements, during 2012, the Village elected to change its financial presentation to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
May 21, 2014



**Village of LaRue  
Marion County**

Combined Statement of Receipts, Disbursements, and  
Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2013

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 65,317	\$ 8,710	\$ 74,027
Intergovernmental	27,053	40,071	67,124
Charges for Services	-	10,825	10,825
Fines, Licenses, and Permits	4,539	-	4,539
Earnings on Investments	314	13	327
Miscellaneous	5,382	-	5,382
	<u>102,605</u>	<u>59,619</u>	<u>162,224</u>
<b>Total Cash Receipts</b>			
	<u>102,605</u>	<u>59,619</u>	<u>162,224</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	20,213	-	20,213
Public Health Services	293	-	293
Leisure Time Activities	10,234	50,947	61,181
Transportation	24,450	36,138	60,588
General Government	44,682	293	44,975
Capital Outlay	-	-	-
Debt Service:			
Redemption of Principal	2,194	23,785	25,979
Interest and Fiscal Charges	374	374	748
	<u>102,440</u>	<u>111,537</u>	<u>213,977</u>
<b>Total Cash Disbursements</b>			
	<u>102,440</u>	<u>111,537</u>	<u>213,977</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	165	(51,918)	(51,753)
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	42,809	42,809
	<u>-</u>	<u>42,809</u>	<u>42,809</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>-</u>	<u>42,809</u>	<u>42,809</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	165	(9,109)	(8,944)
<b>Fund Cash Balances, January 1</b>	<u>10,302</u>	<u>21,780</u>	<u>32,082</u>
Restricted	-	12,671	12,671
Unassigned	10,467	-	10,467
	<u>10,467</u>	<u>-</u>	<u>10,467</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 10,467</b></u>	<u><b>\$ 12,671</b></u>	<u><b>\$ 23,138</b></u>

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

**Village of LaRue  
Marion County**

Combined Statement of Receipts, Disbursements, and  
Changes in Fund Balances (Cash Basis)  
All Proprietary Fund Types  
For the Year Ended December 31, 2013

	Proprietary Fund Types
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 312,496
Total Operating Cash Receipts	312,496
<b>Operating Cash Disbursements:</b>	
Personal Services	49,634
Fringe Benefits	11,952
Contractual Services	74,140
Supplies and Materials	13,402
Other	1,310
Total Operating Cash Disbursements	150,438
Operating Income (Loss)	162,058
<b>Non-Operating Receipts (Disbursements):</b>	
Intergovernmental	118,500
Capital Outlay	(118,500)
Principal Retirement	(62,971)
Interest and Fiscal Charges	(64,436)
Total Non-Operating Receipts (Disbursements)	(127,407)
Net Change in Fund Cash Balance	34,651
<b>Fund Cash Balance, January 1</b>	176,562
<b>Fund Cash Balance, December 31</b>	<b>\$ 211,213</b>

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

**Village of LaRue  
Marion County**

Combined Statement of Receipts, Disbursements, and  
Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Taxes	\$ 62,022	\$ 8,159	\$ 70,181
Intergovernmental	32,326	45,550	77,876
Charges for Services	-	14,939	14,939
Fines, Licenses, and Permits	5,832	-	5,832
Earnings on Investments	336	17	353
Miscellaneous	11,743	-	11,743
	<u>112,259</u>	<u>68,665</u>	<u>180,924</u>
<b>Total Cash Receipts</b>			
	<u>112,259</u>	<u>68,665</u>	<u>180,924</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	26,475	-	26,475
Leisure Time Activities	9,393	20,599	29,992
Transportation	26,319	37,033	63,352
General Government	43,408	1,478	44,886
Capital Outlay	-	1,050	1,050
Debt Service:			
Redemption of Principal	1,270	2,540	3,810
Interest and Fiscal Charges	271	541	812
	<u>107,136</u>	<u>63,241</u>	<u>170,377</u>
<b>Total Cash Disbursements</b>			
	<u>107,136</u>	<u>63,241</u>	<u>170,377</u>
Total Cash Receipts Over/(Under) Cash Disbursements	5,123	5,424	10,547
<b>Fund Cash Balances, January 1</b>	<u>5,179</u>	<u>16,356</u>	<u>21,535</u>
Restricted	-	21,780	21,780
Unassigned	10,302	-	10,302
	<u>10,302</u>	<u>-</u>	<u>10,302</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 10,302</b></u>	<u><b>\$ 21,780</b></u>	<u><b>\$ 32,082</b></u>

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

**Village of LaRue  
Marion County**

Combined Statement of Receipts, Disbursements, and  
Changes in Fund Balances (Cash Basis)  
All Proprietary Fund Types  
For the Year Ended December 31, 2012

	Proprietary Fund Types
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 296,865
Total Operating Cash Receipts	296,865
<b>Operating Cash Disbursements:</b>	
Personal Services	55,716
Fringe Benefits	12,118
Contractual Services	36,030
Supplies and Materials	43,268
Other	1,701
Total Operating Cash Disbursements	148,833
Operating Income (Loss)	148,032
<b>Non-Operating Receipts (Disbursements):</b>	
Proceeds from Sale of Public Debt:	
Sale of Notes	2,038,040
Intergovernmental	613,255
Capital Outlay	(2,127,211)
Principal Retirement	(563,457)
Interest and Fiscal Charges	(65,538)
Total Non-Operating Receipts (Disbursements)	(104,911)
Net Change in Fund Cash Balance	43,121
<b>Fund Cash Balance, January 1</b>	133,441
<b>Fund Cash Balance, December 31</b>	<b>\$ 176,562</b>

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

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of LaRue, Marion County, (the Village) as a body corporate and politic. A publicly-elected six member Council directs the Village. The publicly-elected Mayor serves as president of Council and votes only to break a tie. The Village provides general government services, water and sewer utilities, road and bridge maintenance, and park operations. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Note 7 provides additional information regarding this entity.

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

**B. Basis of Accounting**

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

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

**C. Cash and Deposits**

The Village deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

*Street Construction, Maintenance and Repair Fund* – This fund receives gasoline tax and motor vehicle 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 and pool operations.

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant enterprise Funds:

*Water Fund* – This fund receives charges for services from residents to cover water service costs.

*Sewer Fund* – This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2013 fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**2. Restricted**

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2013	2012
Demand deposits	\$ 234,351	\$ 208,644

**Deposits:** Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution for its public deposits.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 132,390	\$ 102,605	\$ (29,785)
Special Revenue	167,574	102,428	(65,146)
Enterprise	532,350	430,996	(101,354)
<b>Total</b>	<b>\$ 832,314</b>	<b>\$ 636,029</b>	<b>\$ (196,285)</b>

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 119,400	\$ 102,440	\$ 16,960
Special Revenue	135,809	111,537	24,272
Enterprise	526,203	396,345	129,858
Total	\$ 781,412	\$ 610,322	\$ 171,090

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 111,446	\$ 112,259	\$ 813
Special Revenue	141,719	68,665	(73,054)
Enterprise	3,106,654	2,948,160	(158,494)
Total	\$ 3,359,819	\$ 3,129,084	\$ (230,735)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 163,358	\$ 107,136	\$ 56,222
Special Revenue	134,746	63,241	71,505
Enterprise	2,979,302	2,905,039	74,263
Total	\$ 3,277,406	\$ 3,075,416	\$ 201,990

Contrary to Ohio Law, appropriations exceeded estimated resources in the General Fund by \$46,733 during 2012. Although actual receipts were less than budgeted receipts in both 2013 and 2012, appropriations did not exceed actual resources.

**4. PROPERTY TAX**

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

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



**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Loan (2013)	\$ 42,809	4.00%
USDA Loan #1	\$ 1,276,000	4.50%
USDA Loan #2	\$ 160,000	3.25%
OPWC (2011)	\$ 65,000	0.00%
OPWC (2012)	\$ 186,780	0.00%
OWDA (2012)	\$ 1,823,250	1.50%
Total	<u>\$ 3,553,839</u>	

In 2013, the Village obtained a loan from a local financial institution for a sand filter for the pool by refinancing a loan for a truck. The loan amount was \$42,809 with an interest rate of 4.00% to be paid in six annual payments of \$8,184.

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 4.50% 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.

In 2000, the Village 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 0.00%, 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.

In 2011, the Village also 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, 2012, the Village had completed the project and borrowed \$189,947. This loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2013, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for assistance with the expansion and improvement of the Water Treatment Plant, well field, and distribution systems. The total loan amount was \$1,848,093 with an interest rate of 1.50%. This loan includes funds to pay off the 2011 loan agreement with OWDA, totaling \$523,918. While the Village has made payments related to the 2013 loan agreement, no amortization schedule has been created.

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**5. DEBT (Continued)**

Amortization of the above debt, including interest of \$1,043,219, is scheduled as follows:

Year Ending December 31:	2013 Truck Loan	USDA Loans	OPWC Loans
2014	\$ 8,184	\$ 91,995	\$ 16,332
2015	8,184	91,995	16,332
2016	8,184	91,995	16,332
2017	8,184	91,995	16,332
2018	8,184	91,995	16,332
2019 - 2023	7,243	459,975	36,658
2024 - 2028	-	459,975	31,658
2029 - 2033	-	459,975	31,658
2034 - 2038	-	459,975	31,658
2039 - 2043	-	183,990	28,489
	<u>\$ 48,163</u>	<u>\$ 2,483,865</u>	<u>\$ 241,781</u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contributions rates. For 2013 and 2012, OPERS members contributed 10.0 percent, of their gross salaries and the Village contributed an amount equaling 14.0 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and Omissions.

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as 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.

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.

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 (the latest information available) respectively.

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$ 13,100,381	\$ 12,501,280
Liabilities	(6,687,193)	(5,328,761)
Retained Earnings	\$ 6,413,188	\$ 7,172,519

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

**8. CONTINGENT LIABILITY**

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

**Village of LaRue**  
**Marion County**  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**9. COMPLIANCE**

Ohio Revised Code Section 5705.09(F) requires each subdivision to 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. The United States Department of Agriculture requires reserve accounts to be established as part of their loan agreement. The Village has not established the reserve accounts for the outstanding debt as required by the United States Department of Agriculture.

**10. CHANGE IN ACCOUNTING PRINCIPLE**

During 2012, the Village elected to change its financial presentation to the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America. There was no effect on the cash fund balances of the Village.



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of LaRue, Marion County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2014, wherein we noted the Village elected to change its financial presentation to and followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002, 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-003.

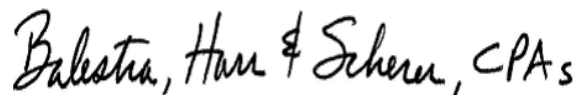
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 21, 2014.

### **Entity's Response to Findings**

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.

### **Purpose of this Report**

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



Balestra, Harr & Scherer, CPAs, Inc.  
Worthington, Ohio  
May 21, 2014

**Village of LaRue**  
**Marion County**  
Schedule of Findings  
December 31, 2013 and 2012

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<b>Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness – Segregation of Duties**

There is insufficient segregation of duties in the Village. Due to the size of the Village and the number of employees, the Clerk prepares checks, reconciles the bank account, records receipts, prepares deposits, and opens the mail for the Village. In addition, the Clerk also performs the duties of billing, recording payments, and making deposits for the Village's utility operations.

Proper internal control procedures require the various duties be segregate among different employees. The duties of collecting, billing, recording, depositing, reconciling, and disbursing of Village monies should be separated. Failure to maintain sufficient segregation of duties could allow errors and/or irregularities to go undetected without the knowledge of the Board of Public Affairs and the Council.

In a small operation, such as the Village of LaRue, it is not always possible to have enough staff to properly segregate duties. Understanding this, we recommend the Mayor, the Board of Public Affairs, or Council take a more active role in monitoring transactions, such as examining cancelled checks, reconciling utility accounts, reviewing utility adjustment reports, and reviewing bank reconciliations. We recommend these reviews be random and sporadic, rather than scheduled. Such reviews would act as a deterrent to irregularities and would allow the Village an opportunity to timely detect and correct any errors that may occur.

**Officials Response:**

The Village will make every effort to comply with this recommendation.

**Village of LaRue**  
**Marion County**  
Schedule of Findings  
December 31, 2013 and 2012

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Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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**FINDING NUMBER 2013-002**

**Material Weakness – Financial Reporting**

Ohio Administrative Code Section 117-2-02A directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC /section 117-2-02D allows the records to be maintained manually or in a computerized format and requires the following: 1) Cash journal with the amount, date, receipt number, check number, account code and any other information necessary to properly classify the transaction; 2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number and other information necessary to record the transaction on this ledger, and 3) Appropriation ledger to assemble and classify disbursements into separate funds and accounts for, at a minimum, each fund and account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information necessary to record the transaction in the appropriate columns.

Below are descriptions of the types of adjustments and reclassifications that were deemed material and required posting to the Village’s December 31, 2013 and 2012 financial statements.

- 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 charges for services in the Parks and Recreation 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 General Fund, 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.
- Misclassification of the activity relating to the Water Plant and wells as a Capital Projects Governmental Fund rather than as an Enterprise Improvement 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.



**Village of LaRue**  
**Marion County**  
Schedule of Findings  
December 31, 2013 and 2012

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Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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**FINDING NUMBER 2013-002 (Continued)**

**Material Weakness – Financial Reporting (Continued)**

- Misclassification of rental income as charges for services in the Parks and Recreation Fund rather than the General Fund.
- Misclassification of intergovernmental receipts as property tax receipts in the General and Parks and Recreation Funds.

The fact that the posting errors resulting in reclassification and adjusting entries occurred indicates a significant deficiency in the internal control over financial recordkeeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements of the Village for 2013 and 2012.

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

We recommend the Clerk review the requirements of OAC Section 117-2-02 and the description of the accounts and to maintain the receipt ledger, appropriation ledger, and cash journal in the manner prescribed therein.

**Officials Response:**

The Village will make every effort to comply with this recommendation.

**FINDING NUMBER 2013-003**

**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.

**Village of LaRue**  
**Marion County**  
Schedule of Findings  
December 31, 2013 and 2012

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Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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**FINDING NUMBER 2013-003 (Continued)**

**Material Noncompliance – Debt Covenants (Continued)**

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.

**Village of LaRue**  
**Marion County**  
Schedule of Findings  
December 31, 2013 and 2012

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Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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**FINDING NUMBER 2013-003 (Continued)**

**Material Noncompliance – Debt Covenants (Continued)**

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.

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.

**Village of LaRue**  
**Marion County**  
Schedule of Findings  
December 31, 2013 and 2012

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Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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**FINDING NUMBER 2013-003 (Continued)**

**Material Noncompliance – Debt Covenants (Continued)**

During 2013 and 2012, 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 2012, the sewer rates charged by the Village were insufficient to meet the requirements in Sections 8 and 10, resulting in expenses exceeding revenues by \$5,740. However, during 2013, the Village increased sewer rates to meet the requirements in Sections 8 and 10, resulting in revenues exceeding expenses by \$21,316, and allowing the Village to open a Reserve Fund.

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 Village has opened the required reserve accounts and is making payments into them as required.

**Village of LaRue**  
**Marion County**  
Schedule of Prior Audit Findings  
December 31, 2013 and 2012

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2011-001	Material Weakness – Financial Reporting	No	Reissued as item 2013-002
2011-002	ORC 9.38 Timely Depositing	No	Significantly corrected, reissued in the Management Letter
2011-003	ORC 5704.41(B) Expenditures exceeded Appropriations	Yes	
2011-004	Material Weakness – Budgetary Posting	Yes	
2011-005	ORC 5705.09(F) Debt Covenants	No	Reissued as item 2013-003
2011-006	Material Weakness – Pool Receipts	No	Significantly corrected, reissued in the Management Letter

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# 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  
SEPTEMBER 18, 2014**