



Balestra, Harr & Scherer, CPAs, Inc.

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

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VILLAGE OF LARUE
MARION COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015 and 2014
Fiscal Years Audited Under GAGAS: 2015 and 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of LaRue, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 9, 2016

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**Village of LaRue
Marion County**

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Balestra, Harr & Scherer, CPAs, Inc.

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

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of LaRue, Marion County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 (GAAP), to satisfy requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

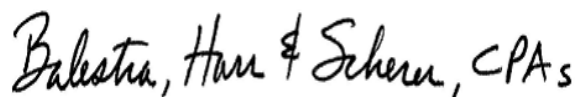
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, 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.
Piketon, Ohio
June 24, 2016

**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, 2015

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 68,025	\$ 18,569	\$ 86,594
Intergovernmental	30,138	30,977	61,115
Charges for Services	-	19,185	19,185
Fines, Licenses, and Permits	3,893	-	3,893
Earnings on Investments	175	88	263
Miscellaneous	3,217	-	3,217
	<u>105,448</u>	<u>68,819</u>	<u>174,267</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	9,791	-	9,791
Public Health Services	400	-	400
Leisure Time Activities	5,783	27,590	33,373
Transportation	29,429	37,800	67,229
General Government	53,804	-	53,804
Debt Service:			
Redemption of Principal	1,349	2,698	4,047
Interest and Fiscal Charges	288	576	864
	<u>100,844</u>	<u>68,664</u>	<u>169,508</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	4,604	155	4,759
Fund Cash Balances, January 1	<u>6,698</u>	<u>12,487</u>	<u>19,185</u>
Restricted	-	12,642	12,642
Unassigned	11,302	-	11,302
	<u>11,302</u>	<u>12,642</u>	<u>23,944</u>
Fund Cash Balances, December 31	<u>\$ 11,302</u>	<u>\$ 12,642</u>	<u>\$ 23,944</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, 2015

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 330,616
Total Operating Cash Receipts	330,616
Operating Cash Disbursements:	
Personal Services	57,116
Fringe Benefits	10,287
Contractual Services	52,957
Supplies and Materials	38,815
Total Operating Cash Disbursements	159,175
Operating Income (Loss)	171,441
Non-Operating Receipts (Disbursements):	
Intergovernmental	1,003
Capital Outlay	(938)
Principal Retirement	(74,086)
Interest and Fiscal Charges	(75,246)
Total Non-Operating Receipts (Disbursements)	(149,267)
Net Change in Fund Cash Balance	22,174
Fund Cash Balance, January 1	152,991
Fund Cash Balance, December 31	\$ 175,165

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, 2014

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 64,018	\$ 8,566	\$ 72,584
Intergovernmental	26,319	39,374	65,693
Charges for Services	-	10,104	10,104
Fines, Licenses, and Permits	4,570	-	4,570
Earnings on Investments	253	48	301
Miscellaneous	11,760	-	11,760
	<u>106,920</u>	<u>58,092</u>	<u>165,012</u>
Total Cash Receipts	106,920	58,092	165,012
Cash Disbursements:			
Current:			
Security of Persons and Property	22,188	-	22,188
Public Health Services	374	-	374
Leisure Time Activities	11,930	21,338	33,268
Transportation	26,255	33,664	59,919
General Government	48,305	-	48,305
Debt Service:			
Redemption of Principal	1,349	2,698	4,047
Interest and Fiscal Charges	288	576	864
	<u>110,689</u>	<u>58,276</u>	<u>168,965</u>
Total Cash Disbursements	110,689	58,276	168,965
Total Cash Receipts Over/(Under) Cash Disbursements	(3,769)	(184)	(3,953)
Fund Cash Balances, January 1	<u>10,467</u>	<u>12,671</u>	<u>23,138</u>
Restricted	-	12,487	12,487
Unassigned	6,698	-	6,698
	<u>6,698</u>	<u>12,487</u>	<u>19,185</u>
Fund Cash Balances, December 31	<u>\$ 6,698</u>	<u>\$ 12,487</u>	<u>\$ 19,185</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, 2014

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 295,468
Total Operating Cash Receipts	295,468
Operating Cash Disbursements:	
Personal Services	68,352
Fringe Benefits	11,039
Contractual Services	41,921
Supplies and Materials	46,593
Total Operating Cash Disbursements	167,905
Operating Income (Loss)	127,563
Non-Operating Receipts (Disbursements):	
Intergovernmental	74,887
Capital Outlay	(74,887)
Principal Retirement	(96,864)
Interest and Fiscal Charges	(88,921)
Total Non-Operating Receipts (Disbursements)	(185,785)
Net Change in Fund Cash Balance	(58,222)
Fund Cash Balance, January 1	211,213
Fund Cash Balance, December 31	\$ 152,991

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, 2015 and 2014

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, 2015 and 2014

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 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2015 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, 2015 and 2014

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:

	2015	2014
Demand deposits	\$ 199,109	\$ 172,176

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, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 123,890	\$ 105,448	\$ (18,442)
Special Revenue	76,265	68,819	(7,446)
Enterprise	453,350	331,619	(121,731)
Total	\$ 653,505	\$ 505,886	\$ (147,619)

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

3. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 117,900	\$ 100,844	\$ 17,056
Special Revenue	63,000	68,664	(5,664)
Enterprise	345,000	309,445	35,555
Total	<u>\$ 525,900</u>	<u>\$ 478,953</u>	<u>\$ 46,947</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 152,000	\$ 106,920	\$ (45,080)
Special Revenue	111,600	58,092	(53,508)
Enterprise	482,000	370,355	(111,645)
Total	<u>\$ 745,600</u>	<u>\$ 535,367</u>	<u>\$ (210,233)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 125,300	\$ 110,689	\$ 14,611
Special Revenue	99,000	58,276	40,724
Enterprise	417,000	250,735	166,265
Total	<u>\$ 641,300</u>	<u>\$ 419,700</u>	<u>\$ 221,600</u>

Although actual receipts were less than budgeted receipts in both 2015 and 2014, 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, 2015 and 2014

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Truck Loan (2013)	\$ 29,701	4.00%
USDA Loan #1	\$ 1,225,000	4.50%
USDA Loan #2	\$ 152,000	3.25%
OPWC (2011)	\$ 45,000	0.00%
OPWC (2012)	\$ 174,117	0.00%
OWDA (2012)	\$ 1,748,977	1.50%
Total	\$ 3,374,795	

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, 2015 and 2014

5. DEBT (Continued)

Amortization of the above debt, including interest of \$1,308,337, is scheduled as follows:

Year Ending December 31:	2013 Truck Loan	USDA Loans	OPWC Loans
2016	\$ 8,184	\$ 91,995	\$ 93,058
2017	8,184	91,995	93,058
2018	8,184	91,995	93,058
2019	7,243	91,995	88,058
2020	-	91,995	83,058
2021 - 2025	-	459,975	415,292
2026 - 2030	-	459,975	415,292
2031 - 2035	-	459,975	415,292
2036 - 2040	-	459,975	415,292
2041 - 2045	-	-	246,009
	<u>\$ 31,795</u>	<u>\$ 2,299,875</u>	<u>\$ 2,357,467</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 2015 and 2014, 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, 2015.

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, 2015 and 2014

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 774 and 783 members as of December 31, 2013 and 2014 (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, 2013 and 2014 (the latest information available):

	2013	2014
Assets	\$ 13,774,304	\$ 14,830,185
Liabilities	(7,968,395)	(8,942,504)
Retained Earnings	\$ 5,805,909	\$ 5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, 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, 2015 and 2014

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.



Balestra, Harr & Scherer, CPAs, Inc.

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

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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2016, 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 finding 2015-001, described in the accompanying schedule of findings, to be a 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 2015-002.

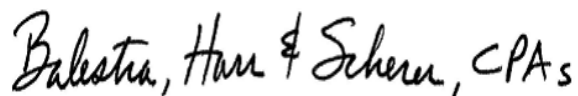
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2016.

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.
Piketon, Ohio
June 24, 2016

Village of LaRue
Marion County
Schedule of Findings
December 31, 2015 and 2014

Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS
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FINDING NUMBER 2015-001

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, 2015 and 2014

Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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FINDING NUMBER 2015-002

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.

Village of LaRue
Marion County
Schedule of Findings
December 31, 2015 and 2014

Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Material Noncompliance – Debt Covenants (Continued)

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.

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.

Village of LaRue
Marion County
Schedule of Findings
December 31, 2015 and 2014

Findings Related to the Financial Statements Required To be Reported in Accordance with GAGAS (Continued)
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FINDING NUMBER 2015-002 (Continued)

Material Noncompliance – Debt Covenants (Continued)

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

The Village should 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, 2015 and 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Material Weakness – Financial Reporting	No	Reissued as item 2015-001
2013-002	ORC 5705.09(F) Debt Covenants	No	Reissued as item 2015-002

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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 1, 2016**