



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE **KEITH FABER**



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

VILLAGE OF LARUE
MARION COUNTY

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Dave Yost • Auditor of State

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, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 these requirements.

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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 Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of LaRue, Marion County as of December 31, 2017 and 2016, and 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 6 to the financial statements, the Village is not in compliance with the debt covenants of the loan agreement between the Village and the United States Department of Agriculture (USDA). 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 December 21, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

Village of LaRue
Marion County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 74,705	\$ 9,452	\$84,157
Intergovernmental	32,548	36,287	68,835
Charges for Services	-	19,741	19,741
Fines, Licenses and Permits	4,452	-	4,452
Earnings on Investments	265	66	331
Miscellaneous	5,840	-	5,840
<i>Total Cash Receipts</i>	<u>117,810</u>	<u>65,546</u>	<u>183,356</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,002		13,002
Leisure Time Activities	12,132	27,912	40,044
Community Environment	2,634		2,634
Transportation	100	40,877	40,977
General Government	100,212	1,732	101,944
Debt Service:			
Principal Retirement	1,719	1,719	3,438
Interest and Fiscal Charges	327	327	654
<i>Total Cash Disbursements</i>	<u>130,126</u>	<u>72,567</u>	<u>202,693</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,316)</u>	<u>(7,021)</u>	<u>(19,337)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	5,150	-	5,150
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,150</u>	<u>-</u>	<u>5,150</u>
<i>Net Change in Fund Cash Balances</i>	(7,166)	(7,021)	(14,187)
<i>Fund Cash Balances, January 1</i>	<u>22,590</u>	<u>13,416</u>	<u>36,006</u>
Fund Cash Balances, December 31			
Restricted	-	5,989	5,989
Committed	-	406	406
Assigned	11,977	-	11,977
Unassigned (Deficit)	3,447	-	3,447
<i>Fund Cash Balances, December 31</i>	<u>\$15,424</u>	<u>\$6,395</u>	<u>\$21,819</u>

See accompanying notes to the basic financial statements

Village of LaRue
Marion County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 348,880
<i>Total Operating Cash Receipts</i>	<i>348,880</i>
Operating Cash Disbursements	
Personal Services	37,902
Employee Fringe Benefits	8,976
Contractual Services	76,937
Supplies and Materials	73,399
<i>Total Operating Cash Disbursements</i>	<i>197,214</i>
<i>Operating Income (Loss)</i>	<i>151,666</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	78,255
Miscellaneous Receipts	7,816
Capital Outlay	(78,255)
Principal Retirement	(104,603)
Interest and Other Fiscal Charges	(84,847)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(181,634)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(29,968)</i>
<i>Fund Cash Balances, January 1</i>	<i>174,014</i>
<i>Fund Cash Balances, December 31</i>	<i>\$144,046</i>

See accompanying notes to the basic financial statements

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of LaRue (the “Village”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four year term and votes only to break a tie. The Village provides water and sewer utilities and park operations. The Village has contracted with Scioto Valley Fire Department to provide fire protection services. The Village contracts with the Marion County Sheriff’s Department to provide other security of persons and property services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

B. Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Cash and Deposits

The Village deposits all available funds in an interest earning checking and savings accounts 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.

Park and Recreation Fund – This fund receives receipts related to pool and rental income to maintain the parks and recreation items of the Village.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

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.

Sewer Reserve – This fund receives monies to fund the sewer reserve and debt requirements related to the Village’s debt covenant.

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.

A summary of 2017 budgetary activity appears in Note 3.

F. Fund Balance

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.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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:

	<u>2017</u>
Demand deposits	\$165,865

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 115,923	\$ 122,960	\$ 7,037
Special Revenue	78,610	65,546	(13,064)
Enterprise	443,368	434,951	(8,417)
Total	\$ 637,901	\$ 623,457	\$ (14,444)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 124,916	\$ 130,126	\$ (5,210)
Special Revenue	76,443	72,567	3,876
Enterprise	440,218	464,919	(24,701)
Total	\$ 641,577	\$ 667,612	\$ (26,035)

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.

5. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Truck Loan (2013)	\$ 13,333	4.00%
USDA Loan #1	\$ 1,900,295	4.50%
USDA Loan #2	\$ 206,604	3.25%
OPWC (2011)	\$ 25,000	0.00%
OPWC (2012)	\$ 161,455	0.00%
OWDA (2012)	\$ 1,659,302	1.50%
Total	\$ 3,965,989	

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

5. DEBT (Continues)

Description

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.

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.

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

Year Ending December 31:	Truck Loan	USDA* Loans	OPWC* Loans	OWDA* Loans
2018	8,184	34,000	16,332	52,615
2019	5,149	35,000	16,332	53,406
2020	-	38,000	11,332	54,210
2021	-	39,000	6,332	55,026
2022	-	41,000	6,332	55,855
2023-2027	-	232,000	31,660	292,145
2028-2032	-	288,000	31,660	314,811
2033-2037	-	354,000	31,660	410,176
2038-2042	-	252,000	31,660	294,611
2043-2047	-	-	3,155	76,446
	<u>\$ 13,333</u>	<u>\$ 1,313,000</u>	<u>\$ 186,455</u>	<u>\$ 1,659,301</u>

* The amortization schedule provided did not include interest.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

6. DEBT COVENANT

The Village's USDA mortgage revenue bond debt covenant requires the Village to maintain a Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking fund and a Sanitary Sewer Reserve fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintaining the Sewer fund; second, the Village must monthly, on the fifteenth day of each month deposit 1/12th of the next ensuing principal and interest payment into the Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking fund. Out of the balance of income and revenue of the system after the transfers required in 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. The Village is not in compliance with these debt covenants as of December 31, 2017.

7. 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 2017, 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, 2017.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2017

8. RISK MANAGEMENT (Continued)

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 equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

9. JOINTLY GOVERNED ORGANIZATIONS

Scioto Valley Joint Fire District

The Scioto Valley Joint Fire District, Marion County, (the District) as a body corporate and politic. A three member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Larue and the Townships of Bowling Green and Montgomery. The District provides fire protection and rescue services within the District.

10. SUBSEQUENT EVENTS

In November of 2018 the Village's renewal Park Levy was passed by the voters.

On February 22, 2018 the Village approved a loan agreement with the Ohio Water Development Authority for \$90,588.

Village of LaRue
Marion County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 72,247	\$ 9,290	\$81,537
Intergovernmental	32,374	36,233	68,607
Charges for Services	-	20,548	20,548
Fines, Licenses and Permits	4,153	-	4,153
Earnings on Investments	253	75	328
Miscellaneous	3,228	-	3,228
<i>Total Cash Receipts</i>	<u>112,255</u>	<u>66,146</u>	<u>178,401</u>
Cash Disbursements			
Current:			
Security of Persons and Property	7,852	-	7,852
Leisure Time Activities	4,731	30,681	35,412
Community Environment	4,000	-	4,000
Transportation	-	30,913	30,913
General Government	82,338	1,732	84,070
Debt Service:			
Principal Retirement	1,719	1,719	3,438
Interest and Fiscal Charges	327	327	654
<i>Total Cash Disbursements</i>	<u>100,967</u>	<u>65,372</u>	<u>166,339</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,288</u>	<u>774</u>	<u>12,062</u>
<i>Net Change in Fund Cash Balances</i>	11,288	774	12,062
<i>Fund Cash Balances, January 1</i>	<u>11,302</u>	<u>12,642</u>	<u>23,944</u>
Fund Cash Balances, December 31			
Restricted	-	12,997	12,997
Committed	-	419	419
Unassigned (Deficit)	<u>22,590</u>	<u>-</u>	<u>22,590</u>
<i>Fund Cash Balances, December 31</i>	<u>\$22,590</u>	<u>\$13,416</u>	<u>\$36,006</u>

See accompanying notes to the basic financial statements

Village of La Rue
Marion County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 335,864
<i>Total Operating Cash Receipts</i>	<i>335,864</i>
Operating Cash Disbursements	
Personal Services	26,233
Employee Fringe Benefits	8,995
Contractual Services	72,303
Supplies and Materials	48,854
<i>Total Operating Cash Disbursements</i>	<i>156,385</i>
<i>Operating Income (Loss)</i>	<i>179,479</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	18,599
Capital Outlay	(18,599)
Principal Retirement	(93,669)
Interest and Other Fiscal Charges	(86,961)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(180,630)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(1,151)</i>
Transfers In	9,113
Transfers Out	(9,113)
<i>Net Change in Fund Cash Balances</i>	<i>(1,151)</i>
<i>Fund Cash Balances, January 1</i>	<i>175,165</i>
<i>Fund Cash Balances, December 31</i>	<i>\$174,014</i>

See accompanying notes to the basic financial statements

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of LaRue (the “Village”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four year term and votes only to break a tie. The Village provides water and sewer utilities and park operations. The Village has contracted with Scioto Valley Fire Department to provide fire protection services. The Village contracts with the Marion County Sheriff’s Department to provide other security of persons and property services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

B. Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Cash and Deposits

The Village deposits all available funds in an interest earning checking and savings accounts 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.

Park and Recreation Fund – This fund receives receipts related to pool and rental income to maintain the parks and recreation items of the Village.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

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.

Sewer Reserve – This fund receives monies to fund the sewer reserve and debt requirements related to the Village's debt covenant.

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.

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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:

	<u>2016</u>
Demand deposits	\$ 210,020

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 115,848	\$ 112,255	\$ (3,593)
Special Revenue	76,910	66,146	(10,764)
Enterprise	359,599	363,576	3,977
Total	\$ 552,357	\$ 541,977	\$ (10,380)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 137,129	\$ 100,967	\$ 36,162
Special Revenue	77,334	65,372	11,962
Enterprise	359,599	355,614	3,985
Total	\$ 574,062	\$ 521,953	\$ 52,109

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.

5. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Truck Loan (2013)	\$ 21,517	4.00%
USDA Loan #1	\$ 1,983,205	4.50%
USDA Loan #2	\$ 215,214	3.25%
OPWC (2011)	\$ 35,000	0.00%
OPWC (2012)	\$ 167,786	0.00%
OWDA (2012)	\$ 1,711,135	1.50%
Total	\$ 4,133,857	

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

5. DEBT (Continues)

Description

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.

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.

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

Year Ending December 31:	Truck Loan	USDA* Loans	OPWC* Loans	OWDA Loans
2017	8,184	33,000	16,332	51,835
2018	8,184	34,000	16,332	52,614
2019	5,149	35,000	16,332	53,406
2020	-	38,000	11,332	54,210
2021	-	39,000	6,332	55,026
2022-2026	-	222,000	31,660	287,812
2027-2031	-	276,000	31,660	246,245
2032-2036	-	340,000	31,660	329,245
2037-2041	-	329,000	31,660	354,789
2042-2046	-	-	9,486	225,953
	<u>\$ 21,517</u>	<u>\$ 1,346,000</u>	<u>\$ 202,786</u>	<u>\$ 1,711,135</u>

* The amortization schedule provided did not include interest.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

6. DEBT COVENANT

The Village's USDA mortgage revenue bond debt covenant requires the Village to maintain a Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking fund and a Sanitary Sewer Reserve fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintaining the Sewer fund; second, the Village must monthly, on the fifteenth day of each month deposit 1/12th of the next ensuing principal and interest payment into the Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking fund. Out of the balance of income and revenue of the system after the transfers required in 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. The Village is not in compliance with these debt covenants as of December 31, 2016.

7. 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 2016, 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, 2016.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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 is 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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Years Ended December 31, 2016

8. RISK MANAGEMENT (Continued)

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 equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

9. INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund statements:

<u>Transfers from the Sewer Operating fund to:</u>	<u>Amount</u>
Sewer Reserve fund	<u>\$ 9,113</u>

10. JOINTLY GOVERNED ORGANIZATIONS

Scioto Valley Joint Fire District

The Scioto Valley Joint Fire District, Marion County, (the District) as a body corporate and politic. A three member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Larue and the Townships of Bowling Green and Montgomery. The District provides fire protection and rescue services within the District.



Dave Yost • Auditor of State

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

Village of 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 cash balances, receipts, and disbursements by fund type of the Village of LaRue, Marion County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 21, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the Village is not in compliance with the debt covenants of the loan agreement between the Village and the United States Department of Agriculture (USDA).

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-001 through 2017-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-005 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-003.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

1. Debt Covenants

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 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-oblige in such bond.

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

1. Operation and Maintenance Fund. There shall be transferred each month from the Revenue Fund a sufficient portion of the income and revenues to the Operation and Maintenance Fund, which such fund is hereby established to pay the reasonable and necessary current expenses of operation and maintaining the system for the ensuing month.

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

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

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

During 2017 and 2016 the Village was in noncompliance with the debt agreement:

- The Village did not execute a fidelity bond as required by Section 8.
- All monies collected from the sewer utility are accounted for in the Sewer Operating Fund. An Operation and Maintenance Fund and Sanitary Sewer System mortgage Revenue Bond and Interest Sinking Fund have not been established by the Village.
- The Village does have a Sewer Reserve Fund that has a balance of \$18,226 as of December 31, 2017. The Village transferred \$9,113 into this fund in 2016. However, a total of \$18,480 should have been transferred into the fund during 2016 and 2017.
- The sewer rates charged by the Village were insufficient to meet the requirements in Sections 8 and 10. In 2016 and 2017, receipts collected covered costs of operations and debt payments. However, there was not an excess balance accumulated for future debt repayment and plant improvements.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (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. In addition, the Village should establish the funds and maintain the required balances in those funds as defined in Section 8 of the bond ordinance.

This matter will be referred to the United States Department of Agriculture.

Officials' Response:

The Board of Public Affairs is working on all the above items to meet the requirements to the best of their ability.

2. **On-Behalf of Grants**

<i>Finding Number</i>	2017-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2016, the Ohio Public Works Commission (OPWC) expended \$18,559.16 for a project on behalf of the Village. Under the terms of this agreement, OPWC made project payments directly to the vendor/contractor(s) on the Village's behalf. In 2017, Marion County expended \$78,254.76 of Community Development Block Grant (CDBG) monies for a project on behalf of the Village. Under the terms of these agreements, Marion County made grant project payments directly to the vendor/contractor(s) on the Village's behalf. The on-behalf moneys for these grants were not recorded in the Village's accounting records, thus understating the intergovernmental receipts and capital outlay expenditures reported in the Water Fund at December 31, 2017 and December 31, 2016.

Adjustments were made to the financial statements to correct the discrepancies identified above.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, since this grant is deemed appropriated pursuant to Ohio Rev. Code § 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

Officials' Response:

Any grants received in the future will all be recorded in the accounting software.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

3. Transfer of funds

<i>Finding Number</i>	2017-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.14 states, in part, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as outlined in (A) through (I) of this Section.

Ohio Rev. Code § 5705.09(G) provides that there should be a special fund used for each public utility operated by a subdivision.

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village made a transfer from the Sewer Operating Fund to the Water Operating Fund in the amount of \$9,400 in 2017. This transfer does not meet the exceptions allowed for in Ohio Revised Code Section 5705.14.

Collections of monies for water and sewer utilities are to be utilized for the restricted purposes established for the charges assessed. The financial statements and accounting records have been adjusted to remove this transfer.

The Village should ensure all transfers are approved by the Village Council and are in accordance with the Ohio Revised Code.

Officials' Response:

The transfer was approved by Council and next time a transfer is needed Council will make sure it follows the Ohio Revised Code.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

4. Financial Statement Presentation

<i>Finding Number</i>	2017-004
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. The Village does not have sufficient internal controls in place to help ensure receipts, expenditures, and fund balances are properly classified on the financial statements.

The following discrepancies were noted related to the December 31, 2016 financial statements:

- Property tax received from the County Auditor was reported as the net receipt amount collected rather than reporting the gross receipt amount and the related County Auditor and Treasurer Fee disbursements. Therefore, receipts and expenditures were understated for the General Fund and the Special Revenue Funds by \$10,029 and \$1,284, respectively.
- Intergovernmental revenue was understated while property taxes were overstated for the General Fund and the Special Revenue Funds by \$11,639 and \$7,340, respectively.
- Debt principal and interest payments of \$1,719 and \$327, respectively, were incorrectly reported as General Government disbursements in the General Fund and Transportation disbursements in the Street and Construction Fund.
- In the Enterprise Funds, the debt principal payments were incorrectly reported as Contractual Services disbursements for \$89,566 and Interest of \$4,103.

The following discrepancies were noted related to the December 31, 2017 financial statements:

- Property tax received from the County Auditor was reported as the net receipt amount collected rather than reporting the gross receipt amount and the related County Auditor and Treasurer Fee disbursements. Therefore, receipts and expenditures were understated for the General Fund and the Special Revenue Funds by \$10,166 and \$1,293 respectively.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

- Intergovernmental revenue was understated while property taxes were overstated for the General Fund and the Special Revenue Funds by \$12,534 and \$6,134, respectively.
- Miscellaneous revenue was overstated while sale of capital asset was understated in the General Fund in the amount of \$5,150.
- Debt principal and interest payments of \$1,719 and \$327, respectively, were incorrectly reported as General Government disbursements in the General Fund and Transportation disbursements in the Street and Construction Fund.
- Unassigned balance was overstated for the General Fund by \$11,977 and assigned balance was understated by the same amount due to subsequent year appropriations exceeding estimated receipts.
- In the Enterprise Funds, the debt principal payments were incorrectly reported as Contractual Services disbursements for \$97,730 and Interest of \$6,873.

The financial statements and accounting ledgers were subsequently adjusted to properly report these balances.

In addition, the information included in the note disclosures presented with the December 31, 2017 and 2016 financial statements and filed with the Auditor of State's Office did not accurately represent matters of the Village and required audit corrections.

Not properly presenting the financial statements and note disclosures will mislead the Village Officials when making financial decisions on behalf of the Village and will not provide an accurate financial perspective to outside financial statement users.

In order to help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements by the Fiscal Officer, to identify and correct errors and omissions.

Officials' Response:

No response was provided.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

5. Pool Receipts Supporting Documentation

<i>Finding Number</i>	2017-005
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SIGNIFICANT DEFICIENCY

The Village operates and manages the LaRue Pool. The Village employs a pool manager to oversee the operations of the pool and has the primary responsibility for receipt collections each day. Internal control weaknesses in the daily collection process of the Village's pool receipts are listed below.

- Although the Village owns a cash register that is located at the pool, the cash register is not utilized. The pool manager maintains a manual record of daily collections of gate and concession receipts which is maintained as support for the daily deposit made at the bank.
- Daily cash collections did not include a record of the collections from Village residents, collections from non-Village residents, or payments for annual memberships. Additionally, any receipts for shelter rentals and pool parties were included in the daily collections without additional agreements being entered into.
- There was no record of the days that the pool was open, closed early, or closed completely.
- There is no segregation of duties within the pool department. The pool manager collects receipts for pool admissions and concession food sales, admits individuals into the pool, counts the drawer at the end of the day, and makes the daily deposit at the bank.

Failure to maintain supporting documentation for daily pool receipts limits the ability of the Village's Council and management to ensure the completeness and accuracy of such receipts. The lack of segregation of duties also increases the likelihood of undetected irregularities or misuse of the Village's assets.

The Village should implement the following internal controls to address these weaknesses.

- The Village should develop and implement policies and procedures to ensure daily pool receipts are supported by appropriate documentation.
 - For gate receipts, the pool employee should perform daily counts, by category (i.e. memberships, in Village, outside Village), for the number of customers paying to use the pool and maintain support for the daily counts. Additionally, the pool manager should reconcile this count and reconcile to the cash register drawer and sign a reconciliation documenting the review.
 - For pool memberships, the customer and a pool worker should sign an agreement stating the customer purchasing the pool membership, the date purchased, and the price charged.

VILLAGE OF LARUE
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

- For shelter rentals and pool parties, the customers and a pool worker should sign an agreement stating the customer renting the shelter/having the party, the date rented, number of people at party, and the price charged.
- We recommend the pool maintain a record of the days the pool is opened and closed during each season.
- We recommend that the pool records be provided to Council at the close of each pool season for their review in comparison to the total receipts collected for the season.

Officials' Response:

Council reviews all financials from the pool at the end of the season. Council will look into how they can have better control of income coming in and its accuracy.

**Village of Larue,
Marion County, Ohio
350 North High Street
(740)499-2100**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015.001	Lack of Segregation of Duties	Fully Corrected	N/A
2015.002	Noncompliance with Debt Covenants- First reported as Finding 2011-005	Not Corrected	The Village continues to pay operating expenditures and annual debt payment requirements with current sewer collections. However, collections are not at a level to allow for the establishment of the set aside amounts required by the debt covenants. Reissued as Finding 2017-001.

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OHIO AUDITOR OF STATE
KEITH FABER



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
JANUARY 29, 2019**