

**VILLAGE OF LARUE
MARION COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Village of LaRue, Marion County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 2, 2020

This page intentionally left blank.

**VILLAGE OF LARUE
MARION COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2019 and 2018**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor’s Report	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2019	3
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2019	4
Notes to the Financial Statements – For the Year Ended December 31, 2019	5-11
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2018	12
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type – For the Year Ended December 31, 2018	13
Notes to the Financial Statements – For the Year Ended December 31, 2018	14-20
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Schedule of Audit Findings	23-26
Schedule of Prior Audit Findings – Prepared by Management	27
Corrective Action Plan – Prepared by Management	28

This page intentionally left blank.

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, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 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.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determined, 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, 2019 and 2018, and the respective changes in financial position and its 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 the related notes of the Village of LaRue, Marion County, as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Charles E. Harris & Associates, Inc.
July 30, 2020

VILLAGE OF LARUE, OHIO
MARION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 68,933	\$ 14,305	\$ 83,238
Intergovernmental	243,042	38,021	281,063
Charges for Services	-	7,257	7,257
Fines, Licenses and Permits	5,453	-	5,453
Earnings on Investments	393	217	610
Miscellaneous	5,928	-	5,928
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	323,749	59,800	383,549
Cash Disbursements			
Current:			
Security of Persons and Property	10,856	-	10,856
Leisure Time Activities	8,918	13,543	22,461
Community Environment	3,407	-	3,407
Basic Utility Services	6,080	-	6,080
Transportation	-	34,029	34,029
General Government	297,587	3,860	301,447
Debt Service:			
Principal Retirement	1,317	3,268	4,585
Interest and Fiscal Charges	317	-	317
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	328,482	54,700	383,182
Net Change in Fund Cash Balances	(4,733)	5,100	367
Fund Cash Balances, January 1, 2019	12,192	9,124	21,316
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31, 2019			
Restricted	-	13,237	13,237
Committed	-	987	987
Assigned	7,459	-	7,459
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31, 2019	\$ 7,459	\$ 14,224	\$ 21,683

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LARUE
MARION COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
For the Year Ended December 31, 2019**

	Enterprise
Operating Receipts:	
Charges for Services	\$ <u>351,726</u>
Total Operating Receipts	351,726
Operating Disbursements:	
Personal Services	39,245
Employee Fringe Benefits	8,063
Contractual Services	91,485
Supplies and Materials	<u>54,448</u>
Total Operating Disbursements	<u>193,241</u>
Operating Income	158,485
Non-Operating Receipts/(Disbursements):	
Loans Issued	33,191
Miscellaneous Receipts	2,188
Principal Retirement	(102,997)
Interest and Fiscal Charges	<u>(80,088)</u>
Total Nonoperating Receipts/(Disbursements)	<u>(147,706)</u>
Income (Loss) before Transfers	10,779
Transfers In	18,513
Transfers Out	<u>(18,513)</u>
Net Change in Fund Balance	10,779
Fund Cash Balance, January 1, 2019	<u>146,194</u>
Fund Cash Balance, December 31, 2019	<u><u>\$ 156,973</u></u>

See Accompanying Notes to the Financial Statements.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of La Rue (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 water and sewer utilities are handled by a three-member board that is elected 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 contracts with the Marion County Sheriff's Department to provide other security of persons and property services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 11 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue 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 park and recreation items of the Village.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies -- Continued

Fund Accounting - Continued

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 – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

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

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 Council 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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

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.

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village deposits all available funds in interest-earning checking and savings accounts at a local bank. All deposits are valued at cost. The Village does not have investments.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies – Continued

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:

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

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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 Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 299,694	\$ 323,749	\$ 24,055
Special Revenue	72,850	59,800	(13,050)
Enterprise	437,932	405,618	(32,314)

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 310,832	\$ 329,182	\$ (18,350)
Special Revenue	74,468	55,122	19,346
Enterprise	446,791	395,774	51,017

The Village was in violation of Ohio Revised Code section 5705.41(B) which prohibits expenditures from exceeding appropriations.

Note 4 – Deposits

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:

	2019
Demand deposits	\$ 178,656

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 5 – Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 Year Ended December 31, 2019

Note 6 – Risk Management

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 14 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, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. The OPRM also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30 percent for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Effective November 1, 2019, the OPRM's property retention increased from 30 percent to 33 percent, while the casualty treaty remains unchanged and still assumes 100 percent of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2019.

Note 9 - Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Rate
USDA Loan #1	\$1,108,000	4.50%
USDA Loan #3	136,000	3.25%
OPWC (#CP26N)	148,792	0.00%
OPWC (#CP926)	5,000	0.00%
OWDA (#6002)	1,553,280	1.50%
OWDA (#7962)	84,693	0.56%
OWDA (#8384)	28,972	0.92%
Total	\$ 3,064,737	

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 percent over 40 years. The second loan amount was \$195,000, with a fixed interest rate of 3.25 percent 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 sewer system. The loan amount was \$195,000 with an interest rate of 0.00 percent 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 services 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 a 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 (#6002) 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 percent. This loan includes funds to pay off the 2011 loan agreement with OWDA, totaling \$523,918. 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 percent to be paid in six annual payments of \$8,184.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt - Continued

In 2018, the Village obtained a loan (#7962) from OWDA to cover water-related expenses and equipment. The total approved amount of the loan is \$90,622 with an interest rate of 0.56 percent. An amortization schedule is not yet available for this loan.

In 2019, the Village obtained a loan (#8384) from OWDA to cover plant equipment and north well repairs. The total approved amount of the loan is \$31,922 with an interest rate of 0.92 percent. An amortization schedule is not yet available for these loans.

Amortization

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

Year Ending December 31:	USDA Loans	OPWC Loans	OWDA Loan #6002
2020	\$90,805	\$11,332	\$77,307
2021	92,280	6,332	77,307
2022	91,633	6,332	77,307
2023	91,940	6,332	77,307
2024	91,158	6,332	77,307
2025-2029	459,478	31,658	386,535
2030-2034	458,683	31,658	386,535
2035-2039	456,385	31,658	386,535
2040-2044	183,375	22,158	347,881
Total	<u>\$2,015,737</u>	<u>\$153,792</u>	<u>\$1,894,021</u>

Note 10 – 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, 2019.

Note 11 – Jointly Governed Organization

Scioto Valley Joint Fire District

The Scioto Valley Joint Fire District, Marion County, (the District) is 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 La Rue and the Townships of Bowling Green and Montgomery. The District provides fire protection and rescue services within the District.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF LARUE, OHIO
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, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 70,828	\$ 18,349	\$ 89,177
Intergovernmental	48,226	31,657	79,883
Fines, Licenses and Permits	4,927	-	4,927
Charges for Services	-	20,009	20,009
Earnings on Investments	411	116	527
Miscellaneous	15,810	-	15,810
Total Cash Receipts	140,202	70,131	210,333
Cash Disbursements			
Current:			
Security of Persons and Property	16,007	-	16,007
Leisure Time Activities	7,694	27,607	35,301
Community Environment	3,776	-	3,776
Basic Utility Services	4,614	-	4,614
Transportation	7,971	36,912	44,883
General Government	101,582	1,604	103,186
Debt Service:			
Principal Retirement	1,432	2,046	3,478
Interest and Fiscal Charges	614	-	614
Total Cash Disbursements	143,690	68,169	211,859
Net Change in Fund Cash Balances	(3,488)	1,962	(1,526)
Fund Cash Balances, January 1, 2018, Restated	15,680	7,162	22,842
Fund Cash Balances, December 31 2018			
Restricted	-	8,577	8,577
Committed	-	547	547
Assigned	11,140	-	11,140
Unassigned	1,052	-	1,052
Fund Cash Balances, December 31, 2018	\$ 12,192	\$ 9,124	\$ 21,316

See Accompanying Notes to the Financial Statements.

**VILLAGE OF LARUE
MARION COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
For the Year Ended December 31, 2018**

	Enterprise
Operating Receipts:	
Charges for Services	\$ 364,509
Total Operating Receipts	364,509
Operating Disbursements:	
Personal Services	40,816
Employee Fringe Benefits	7,246
Contractual Services	54,195
Supplies and Materials	122,624
Total Operating Disbursements	224,881
Operating Income	139,628
Non-Operating Receipts/(Disbursements):	
Loans Issued	85,776
Miscellaneous Receipts	3,086
Capital Outlay	(27,500)
Principal Retirement	(117,348)
Interest and Fiscal Charges	(82,231)
Total Nonoperating Receipts/(Disbursements)	(138,217)
Net Change in Fund Cash Balances	1,411
Fund Cash Balance, January 1, 2018, Restated	144,783
Fund Cash Balance, December 31, 2018	\$ 146,194

See Accompanying Notes to the Financial Statements.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of La Rue (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 water and sewer utilities are handled by a three-member board that is elected 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 contracts with the Marion County Sheriff's Department to provide other security of persons and property services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 11 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue 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 park and recreation items of the Village.

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 – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

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

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies -- Continued

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 Council 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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

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.

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village deposits all available funds in interest-earning checking and savings accounts at a local bank. All deposits are valued at cost. The Village does not have investments.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

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

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 Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies – Continued

Fund Balance - Continued

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

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 Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year’s appropriated budget in the General Fund.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,423	\$ 140,202	\$ 6,779
Special Revenue	75,100	70,131	(4,969)
Enterprise	468,200	453,371	(14,829)

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 146,284	\$ 144,502	\$ 1,782
Special Revenue	75,638	68,682	6,956
Enterprise	494,986	453,174	41,812

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits

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>2018</u>
Demand deposits	<u>\$167,510</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 5 – Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Note 6 – Risk Management

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 14 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 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2018.

Note 9 - Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Rate</u>
Truck Loan	\$ 7,851	4.00%
USDA Loan #1	\$ 1,139,000	4.50%
USDA Loan #3	\$ 140,000	3.25%
OPWC (#CP26N)	\$ 151,958	0.00%
OPWC (#CP926)	\$ 10,000	0.00%
OWDA (#6002)	\$ 1,606,687	1.50%
OWDA (#7962)	\$ 83,632	0.56%
Total	<u>\$ 3,139,128</u>	

The debt outstanding at December 31, 2017 was overstated in the prior year report by \$791,811. The correct balance was \$3,174,178.

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 percent over 40 years. The second loan amount was \$195,000, with a fixed interest rate of 3.25 percent 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 sewer system. The loan amount was \$195,000 with an interest rate of 0.00 percent 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 services requirements.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt - Continued

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 (#6002) 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 percent. This loan includes funds to pay off the 2011 loan agreement with OWDA, totaling \$523,918.

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 percent to be paid in six annual payments of \$8,184.

In 2018, the Village obtained a loan (#7962) from OWDA to cover water-related expenses and equipment. The total approved amount of the loan is \$90,622 with an interest rate of 0.56 percent. An amortization schedule is not yet available for this loan.

Amortization

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

Year Ending December 31:	Truck Loan	USDA Loans	OPWC Loans	OWDA Loan #6002
2019	\$8,168	\$91,285	\$8,166	\$77,307
2020	-	90,805	11,332	77,307
2021	-	92,280	6,332	77,307
2022	-	91,632	6,332	77,307
2023	-	91,940	6,332	77,307
2024-2028	-	458,580	31,658	386,535
2029-2033	-	459,243	31,658	386,535
2034-2038	-	456,853	31,658	386,535
2039-2043	-	274,403	28,490	386,535
2044-2047	-	-	-	38,653
Total	<u>\$8,168</u>	<u>\$2,107,021</u>	<u>\$161,958</u>	<u>\$1,971,328</u>

Note 10 – 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, 2018.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Jointly Governed Organization

Scioto Valley Joint Fire District

The Scioto Valley Joint Fire District, Marion County, (the District) is 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 La Rue and the Townships of Bowling Green and Montgomery. The District provides fire protection and rescue services within the District.

Note 12 – Fund Balance Adjustments

The Village voided several checks in 2018 that were written prior to 2018. Therefore, the beginning fund balances for 2018 are restated as follows:

	General	Special	
	Fund	Revenue	Enterprise
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Fund Balance as previously reported	\$15,424	\$6,395	\$144,046
Adjustment for checks written prior to 2018 and voided in 2018	<u>256</u>	<u>767</u>	<u>737</u>
Restated Fund balance	<u>\$15,680</u>	<u>\$7,162</u>	<u>\$144,783</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated July 30, 2020, wherein we noted that 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 the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Audit Findings as items 2019-001 and 2019-003.

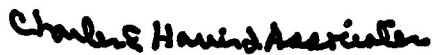
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 30, 2020.

Entity's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
July 30, 2020

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings
December 31, 2019 and 2018

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

Finding Number 2019-001 – Material Weakness and Noncompliance

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-obligee in such bond.

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

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

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

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

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings-Continued
December 31, 2019 and 2018

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

Finding Number 2019-001 – Material Weakness and Noncompliance (continued)

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

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

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

During 2019 and 2018 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 \$27,339 as of December 31, 2019. The Village transferred \$9,113 into this fund in 2019. However, a total of \$91,130 should have been transferred into the fund during 2018 and 2019.
- The sewer rates charged by the Village were insufficient to meet the requirements in Sections 8 and 10. In 2019 and 2018, receipts collected covered costs of operations and debt payments. However, there was not an excess balance accumulated for future debt repayment and plant improvements.

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.

Management's Response:

See Corrective Action Plan on page 28.

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

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

Finding Number 2019-002 – Material Weakness

Audit Adjustments, Reclassifications and Notes to the Financial Statements

During 2019 and 2018, errors were noted in the Village's financial statements that required audit adjustments, reclassifications, and notes to the financial statements, the most significant of which are as follows:

- The amount by which general fund subsequent year appropriations exceeded estimated resources was not presented as an assignment of fund balance in the amount of \$11,140 and \$7,459 for 2018 and 2019, respectively.
- In 2019 a receipt for gasoline taxes was recorded twice causing cash to be overstated at December 31, 2019 by \$4,450.
- Loan proceeds of \$85,776 in 2019 and \$32,891 in 2018 were erroneously recorded as miscellaneous receipts in the enterprise fund.
- Proceeds from a State of Ohio grant received totaling \$209,957 and \$14,066 in 2019 and 2018, respectively, were erroneously recorded as miscellaneous receipts in the general fund rather than as intergovernmental receipts.
- Rollback and homestead receipts were recorded as real estate taxes instead of intergovernmental receipts in the amount of \$11,646 and \$12,520 for 2018 and 2019, respectively.
- In 2019, a receipt of \$7,971 for municipal permissive taxes was erroneously recorded to miscellaneous receipts.
- Debt service payments of \$109,726 in 2019 and \$133,952 in 2018 which were classified as general government, transportation, contractual or interest expenses were reclassified.
- In 2018, \$7,971 of the cost of resurfacing a road was reclassified from general government expense to transportation expense.
- In 2018, the cost of purchasing a truck for \$17,500 was reclassified from contractual services to capital outlay.
- In 2019, \$2,000 of other financing uses was reclassified to general government.
- The notes to the financial statements included outdated information and excluded required disclosures.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board Statement No. 54, Audit Bulletin 2001-004, the Village Officer's Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management's Response:

See Corrective Action Plan on page 28.

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

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

Finding Number 2019-003 – Material Noncompliance

Expenditures Exceeded Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2019:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
General Fund	\$310,832	\$329,182	\$(18,350)

Expenditures for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the Village should monitor its financial activity periodically and amend its approved budgets accordingly.

Management's Response:

See Corrective Action Plan on Page 28.

VILLAGE OF LARUE
MARION COUNTY
For the Years Ended December 31, 2019 and 2018

SCHEDULE OF PRIOR AUDIT FINDINGS-PREPARED BY MANAGEMENT

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2017-001	Noncompliance and Material Weakness – Debt Covenants	Not corrected	See 2019-001
2017-002	Noncompliance and Material Weakness – On-Behalf of Grants	Corrected	
2017-003	Noncompliance and Material Weakness – Transfer of Funds	Corrected	
2017-004	Material Weakness – Financial Statement Presentation	Not corrected	See 2019-002
2017-005	Significant Deficiency – Pool Receipts Supporting Documentation	No longer applicable, pool closed	

**VILLAGE OF LARUE
MARION COUNTY
For the Years Ended December 31, 2019 and 2018**

CORRECTIVE ACTION PLAN – PREPARED BY MANAGEMENT

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The Board of Public Affairs will continue to work on this to meet the requirements to the best of their ability.	December 2020	Mary Price, Fiscal Officer Board of Public Affairs
2019-002	The Fiscal Officer will set up accounts in UAN that are needed to properly record all transactions. The Village Clerk will also review GASB Statement Number 54, Audit Bulletin 2011-004, the Village Officer's Handbook and other Auditor of State guidance as references when recording transactions.	December 2020	Mary Price, Fiscal Officer
2019-003	The Fiscal Officer will record the budget amounts approved by the Council and the County Auditor into UAN.	December 2020	Mary Price, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LARUE

MARION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/12/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov