

VILLAGE OF LARUE
COLUMBUS REGION, MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Village Council
Village of LaRue
LaRue, Ohio 43332

We have reviewed the Independent Auditor's Report of the Village of LaRue, Marion County, prepared by Holbrook & Manter, LLP, for the audit period January 1, 1999 through December 31, 1999. 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.

JIM PETRO
Auditor of State

October 31, 2000

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Village of LaRue, Marion County, Ohio, (the Village) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of LaRue, as of December 31, 1999, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2000 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 grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Holbrook & Manter, LLP

Certified Public Accountants

July 25, 2000
Marion, Ohio

VILLAGE OF LARUE
MARION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>GOVERNMENT FUND TYPES</u>				(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Cash receipts:					
Local taxes	\$ 35,194	\$ 0	\$ 0	\$ 0	\$ 35,194
Intergovernmental	46,402	25,504	0	1,821,431	1,893,337
Charges for services	7,598	0	0	0	7,598
Fines, licenses, and permits	317	0	0	0	317
Miscellaneous	13,109	813	7,133	0	21,055
Total cash receipts	<u>102,620</u>	<u>26,317</u>	<u>7,133</u>	<u>1,821,431</u>	<u>1,957,501</u>
Cash disbursements:					
Current:					
Security of persons and property	17,665	0	0	0	17,665
Public health services	1,765	0	0	0	1,765
Transportation	37,630	39,247	0	0	76,877
General government	24,915	0	0	0	24,915
Capital outlay	564	0	0	2,351,459	2,352,023
Debt service	4,714	0	20,823	0	25,537
Total cash disbursements	<u>87,253</u>	<u>39,247</u>	<u>20,823</u>	<u>2,351,459</u>	<u>2,498,782</u>
Total receipts over/(under) cash disbursements	<u>15,367</u>	<u>(12,930)</u>	<u>(13,690)</u>	<u>(530,028)</u>	<u>(541,281)</u>
Other financing receipts/(disbursements):					
Loan proceeds	0	0	0	195,000	195,000
Advances - in	50,000	0	0	0	50,000
Advances - out	(50,000)	0	0	0	(50,000)
Total other financing receipts/(disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>195,000</u>	<u>195,000</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	<u>15,367</u>	<u>(12,930)</u>	<u>(13,690)</u>	<u>(335,028)</u>	<u>(346,281)</u>
Fund cash balances January 1, 1999	<u>172,296</u>	<u>19,083</u>	<u>15,980</u>	<u>576,076</u>	<u>783,435</u>
Fund cash balances, December 31, 1999	<u>\$ 187,663</u>	<u>\$ 6,153</u>	<u>\$ 2,290</u>	<u>\$ 241,048</u>	<u>\$ 437,154</u>
Reserve for encumbrances, December 31, 1999	<u>\$ 3,151</u>	<u>\$ 12,505</u>	<u>\$ 0</u>	<u>\$ 559,810</u>	<u>\$ 575,466</u>

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

VILLAGE OF LARUE
MARION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN
FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise
Operating cash receipts:	
Charges for services	\$ 85,260
Miscellaneous	24,965
Total operating cash receipts	110,225
Operating cash disbursements:	
Personal services	32,137
Contractual services	32,037
Supplies and materials	34,374
Capital outlay	34,724
Total operating cash disbursements	133,272
Operating income/(loss)	(23,047)
Other financing receipts/(disbursements):	
Advances - in	50,000
Advances - out	(50,000)
Total other financing receipts/(disbursements):	0
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(23,047)
Fund cash balances, January 1, 1999	133,091
Fund cash balances, December 31, 1999	\$ 110,044
Reserve for encumbrances, December 31, 1999	\$ 6,294

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

VILLAGE OF LARUE
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** – The Village of LaRue, Marion County, Ohio, (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 publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

Cash and Investments – The Village maintains its cash deposits in an interest-bearing checking account and Certificates of deposit. Certificates of deposit 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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Debt Service Fund

This fund is used to accumulate resources for the payment of loans and note indebtedness.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds):

Construction Fund

This fund receives proceeds of loans. The proceeds are being used to construct a new sewer facility.

VILLAGE OF LARUE
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-(Continued)

Enterprise Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Enterprise funds:

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

- E. **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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 budgetary activity appears in Note 3.

- F. **Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.
- G. **Unpaid Vacation** – Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment. Unpaid vacation is not reflected as liabilities under the cash basis of accounting used by the Village.

VILLAGE OF LARUE
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS:-

The Village maintains a cash and investments 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>1999</u>
Demand deposits	\$ 338,702
Certificate of deposit	<u>208,496</u>
Total deposits	\$ <u><u>547,198</u></u>

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

NOTE 3 – BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 1999 follows:

1999 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 77,486	\$ 152,620	\$ 75,134
Special Revenue	28,800	26,317	(2,483)
Debt Service	12,500	7,133	(5,367)
Capital Project	2,000,000	2,016,431	16,431
Enterprise	<u>76,300</u>	<u>110,226</u>	<u>33,926</u>
Total	\$ <u><u>2,195,086</u></u>	\$ <u><u>2,312,727</u></u>	\$ <u><u>117,641</u></u>

1999 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 247,223	\$ 140,404	\$ 106,819
Special Revenue	47,027	51,752	(4,725)
Debt Service	28,480	20,823	7,657
Capital Projects	2,576,076	2,911,269	(335,193)
Enterprise	<u>209,379</u>	<u>189,567</u>	<u>19,812</u>
Total	\$ <u><u>3,108,185</u></u>	\$ <u><u>3,313,815</u></u>	\$ <u><u>(205,630)</u></u>

VILLAGE OF LARUE
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 4 – PROPERTY TAX:-

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Board of Trustees. 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary System Temporary Mortgage Revenue Bond	\$ 1,491,000	4.75%
Sanitary System Temporary Mortgage Revenue Bond	<u>195,000</u>	4.75%
Total	<u>\$ 1,686,000</u>	

These are interim financing for a one year term used to cover the Village’s sewer project. The Village has an agreement with the United States Department of Agriculture (USDA) stating that loan funds in the amount of \$1,491,000 and \$195,000 will be provided to the Village when construction is substantially complete. These loan funds will be used to pay off the interim financing.

NOTE 6 – RETIREMENT SYSTEMS:-

The Villages employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants’ gross salaries. The Village has paid all contributions required through December 31, 1999.

NOTE 7 – RISK MANAGEMENT:-

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

VILLAGE OF LARUE
MARION COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Water and Waste Disposal Systems for Rural Communities		10.760	\$ <u>1,404,570.57</u>
Total U.S. Department of Agriculture			<u>1,404,570.57</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Ohio Department of Development			
Community Development Block Grant/State Program	B-W-96-047-1	14.228	<u>366,415.57</u>
Total U.S. Department of Housing and Urban Development			<u>366,415.57</u>
Totals			<u>\$ <u>1,770,986.14</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

VILLAGE OF LARUE
MARION COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:-

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activities of the Villages federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2 – INTERIM FINANCING:-

The Village received interim financing from a financial institution to cover expenditures for the Village's sewer project. The Village has an agreement with the United States Department of Agriculture (USDA) stating that loan funds in the amount of \$1,686,000 will be provided to the Village when construction is substantially complete.

These loan funds will be used to pay off the interim financing.



Report on Compliance and on Internal Control Required by *Government Auditing Standards*

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

We have audited the accompanying financial statements of the Village of LaRue, Marion County, Ohio (the Village), as of and for the year ended December 31, 1999, and have issued our report thereon dated July 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving compliance and internal control over financial reporting that we have reported to the Management of the Village in a separate letter dated July 25, 2000.

This report is intended for the information of the Village Council and the Clerk, and is not intended to be and should not be used by anyone other than these specified parties.

Holbrook & Manter, LLP

Certified Public Accountants

July 25, 2000
Marion, Ohio

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Village of LaRue, Marion County, Ohio, (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Village's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of LaRue complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report on Compliance With Requirements Applicable to the
Major Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Our considerations on the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We note no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Village Council, Clerk, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hulbrook & Masten, LLP

Certified Public Accountants

July 25, 2000
Marion, Ohio

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

DECEMBER 31, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities, CFDA #10.760.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
NOVEMBER 14, 2000**