



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF LARUE  
MARION COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of LaRue, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000. 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.

Except as discussed in the following paragraph, 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 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.

We were not able to obtain evidence supporting the completeness of the charges for services in the Special Revenue Funds, which consist of Village pool receipts and concession receipts. These amounts total \$15,538 in 2001 and \$15,415 in 2000.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the completeness of charges for services in the Special Revenue Funds, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001, and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of LaRue  
Marion County  
Report of Independent Accountants  
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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**JIM PETRO**  
Auditor of State

August 9, 2002

**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, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 38,631	\$ -	\$ -	\$ -	\$ 38,631
Intergovernmental Receipts	38,311	31,946	-	66,170	136,427
Charges for Services	4,658	15,538	-	-	20,196
Fines, Licenses, and Permits	4,126	-	-	-	4,126
Interest	7,125	641	-	-	7,766
Miscellaneous	9,228	4,444	-	1,754	15,426
	<u>102,079</u>	<u>52,569</u>	<u>-</u>	<u>67,924</u>	<u>222,572</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	29,606	-	-	-	29,606
Public Health Services	2,006	-	-	-	2,006
Leisure Time Activities	12,689	40,790	-	-	53,479
Transportation	48,615	24,274	-	-	72,889
General Government	33,217	-	-	-	33,217
Debt Service	11,400	-	2,291	40,000	53,691
Capital Outlay	-	-	-	143,058	143,058
	<u>137,533</u>	<u>65,064</u>	<u>2,291</u>	<u>183,058</u>	<u>387,946</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(35,454)</u>	<u>(12,495)</u>	<u>(2,291)</u>	<u>(115,134)</u>	<u>(165,374)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	-	10,000	-	-	10,000
Advances-In	10,000	-	-	-	10,000
Transfers-Out	(10,000)	-	-	-	(10,000)
Advances-Out	-	(10,000)	-	-	(10,000)
	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(35,454)	(12,495)	(2,291)	(115,134)	(165,374)
Fund Cash Balances, January 1, 2001	168,231	27,506	2,291	115,134	313,162
<b>Fund Cash Balances, December 31, 2001</b>	<u>\$ 132,777</u>	<u>\$ 15,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,788</u>
Reserves for Encumbrances, December 31, 2001	<u>\$ 878</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 908</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  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 202,172
Interest	5,089
Miscellaneous	943
	208,204
Total Operating Cash Receipts	208,204
<b>Operating Cash Disbursements:</b>	
Personal Services	37,698
Contractual Services	60,131
Supplies and Materials	19,890
Capital Outlay	2,760
	120,479
Total Operating Cash Disbursements	120,479
Operating Income	87,725
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	37,721
	37,721
Total Non-Operating Cash Disbursements	37,721
Excess of Receipts Over Disbursements	50,004
Fund Cash Balances, January 1	147,832
<b>Fund Cash Balances, December 31</b>	<b>\$ 197,836</b>
Reserve for Encumbrances, December 31	\$ 1,056

*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  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 36,550	\$ -	\$ -	\$ -	\$ 36,550
Intergovernmental Receipts	67,974	40,524	-	395,704	504,202
Charges for Services	1,190	15,415	-	-	16,605
Fines, Licenses, and Permits	3,531	-	-	-	3,531
Interest	8,058	6,129	-	-	14,187
Miscellaneous	7,086	33,709	-	-	40,795
	<u>124,389</u>	<u>95,777</u>	<u>-</u>	<u>395,704</u>	<u>615,870</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	35,940	-	-	-	35,940
Public Health Services	2,036	-	-	-	2,036
Leisure Time Activities	9,113	38,392	-	-	47,505
Transportation	36,258	46,030	-	-	82,288
General Government	31,794	-	-	-	31,794
Debt Service	-	-	-	1,725,397	1,725,397
Capital Outlay	17,920	-	-	524,503	542,423
	<u>133,061</u>	<u>84,422</u>	<u>-</u>	<u>2,249,900</u>	<u>2,467,383</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,672)</u>	<u>11,355</u>	<u>-</u>	<u>(1,854,196)</u>	<u>(1,851,513)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Loan Proceeds	-	-	-	1,728,281	1,728,281
Advances-In	-	10,000	-	-	10,000
Advances-Out	(10,000)	-	-	-	(10,000)
Other Uses	(761)	-	-	-	(761)
	<u>(10,761)</u>	<u>10,000</u>	<u>-</u>	<u>1,728,281</u>	<u>1,727,520</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,433)	21,355	-	(125,915)	(123,993)
Fund Cash Balances, January 1, 2000	<u>187,664</u>	<u>6,151</u>	<u>2,291</u>	<u>241,049</u>	<u>437,155</u>
Fund Cash Balances, December 31, 2000	<u>\$ 168,231</u>	<u>\$ 27,506</u>	<u>\$ 2,291</u>	<u>\$ 115,134</u>	<u>\$ 313,162</u>
Reserves for Encumbrances, December 31, 2000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,133</u>	<u>\$ 75,133</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  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 133,051
Interest	12,780
Miscellaneous	1,923
	<u>147,754</u>
Total Operating Cash Receipts	<u>147,754</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	30,697
Contractual Services	40,345
Supplies and Materials	22,213
Capital Outlay	6,711
	<u>99,966</u>
Total Operating Cash Disbursements	<u>99,966</u>
Operating Income	<u>47,788</u>
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	25,950
	<u>25,950</u>
Total Non-Operating Cash Receipts	<u>25,950</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	10,000
Other Non-Operating Cash Disbursements	25,950
	<u>35,950</u>
Total Non-Operating Cash Disbursements	<u>35,950</u>
Excess of Receipts Over Disbursements	37,788
Fund Cash Balances, January 1, 2000	<u>110,044</u>
<b>Fund Cash Balances, December 31, 2000</b>	<b>\$ 147,832</b>
Reserve for Encumbrances, December 31, 2000	<b>\$ -</b>

*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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of LaRue, Marion County, (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 government services, including water and sewer utilities. The Village contracts with the Marion County Sheriff's department to provide security of persons and property. Beginning January 1, 2000, the Village acquired the pool from the LaRue Area Park Association, a non-profit organization and received the checking account and certificates of deposit associated with the pool. The Village began receiving revenues from admissions and concessions at the pool in 2000.

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.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. 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:

**VILLAGE OF LARUE  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

*Park and Recreation Fund* – This fund receives charges for services from pool admissions and concessions and donations for the operation of the Village pool.

**3. Debt Service Fund**

This fund no longer receives resources for the payment of loans or note indebtedness. In 2001, the balance of the fund was paid on a loan and Village indebtedness is now paid from individual funds.

**4. Capital Projects Fund**

This fund is 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 Projects Fund:

Construction Fund – This fund receives proceeds of loans and grants for the construction of a new sewer facility.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. 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 be budgeted annually.

**1. Appropriations**

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

**VILLAGE OF LARUE  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH**

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

	<u>2001</u>	<u>2000</u>
Deposits	\$183,799	\$280,683
Certificates of deposit	156,535	175,338
Total deposits	<u>\$340,334</u>	<u>\$456,021</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village. Deposits listed above are less than the fund cash balances reported in the accompanying financial statements by \$5,290 in 2001 and \$4,973 in 2000. Management is unable to identify the cause of these variances.

**VILLAGE OF LARUE  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001, and December 31, 2000, follows:

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,850	\$102,079	\$19,229
Special Revenue	122,300	62,569	(59,731)
Capital Projects	0	67,924	67,924
Enterprise	212,300	208,204	(4,096)
Total	<u>\$417,450</u>	<u>\$440,776</u>	<u>\$23,326</u>

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,608	\$148,411	\$101,197
Special Revenue	150,886	65,094	85,792
Debt Service	2,291	2,291	0
Capital Projects	123,780	183,058	(59,278)
Enterprise	358,068	159,256	198,812
Total	<u>\$884,633</u>	<u>\$558,110</u>	<u>\$326,523</u>

**2000 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,198	\$124,389	\$34,191
Special Revenue	63,800	95,777	31,977
Capital Projects	1,250,000	2,123,985	873,985
Enterprise	154,590	173,704	19,114
Total	<u>\$1,558,588</u>	<u>\$2,517,855</u>	<u>\$959,267</u>

**2000 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$277,684	\$133,822	\$143,862
Special Revenue	96,591	84,422	12,169
Debt Service	2,291	0	2,291
Capital Projects	500,000	2,325,033	(1,825,033)
Enterprise	225,671	135,916	89,755
Total	<u>\$1,102,237</u>	<u>\$2,679,193</u>	<u>(\$1,576,956)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Permissive Tax Fund and the Construction Fund by \$322 and \$59,268, respectively, for the year ended December 31, 2001. For the year ended December 31, 2000, budgetary expenditures exceeded appropriation authority in the Street Fund, Permissive Tax Fund, and Construction Fund by \$4,320, \$4,712, and \$1,825,033, respectively.

**VILLAGE OF LARUE  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY TAX**

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

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Sewer Loan	\$1,491,000	4.50%
USDA Sewer Loan	195,000	3.25%
Ohio Public Works Commission Loan	185,000	0.00%

The USDA Sewer Loans were issued to pay off the interim financing used to finance the Village's sewer project. The Village had an agreement with the United States Department of Agriculture stating that loan funds in the amount of \$1,491,000 and \$195,000 would be provided to the Village when construction was substantially complete. The Ohio Public Works Commission Loan was also issued to finance the sanitary sewer collection system. The Village has agreed to set rates to collect sufficient revenues to cover the cost of operating the sewer system and to pay debt service.

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

Year ending December 31:	<u>USDA Loans</u>	<u>OPWC Loan</u>
2002	\$73,433	\$10,000
2003	92,432	10,000
2004	91,615	10,000
2005	91,798	10,000
2006	91,935	10,000
2007 - 2011	456,432	50,000
2012 - 2016	457,875	50,000
2017 - 2021	457,722	35,000
2022 - 2026	458,245	0
2027 - 2031	459,275	0
2032 - 2036	457,703	0
2037 - 2040	365,795	0
Total	<u>\$3,554,260</u>	<u>\$185,000</u>

**VILLAGE OF LARUE  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's 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 postretirement healthcare, 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

For 2001 and 2000, certain Village officials elected to be members of Social Security. The Village's liability is 6.2 percent of wages paid.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.





STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of LaRue, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated August 9, 2002, which was qualified since we were unable to perform procedures to satisfy ourselves as to the completeness of the Village pool receipts recorded as charges for services in the Special Revenue Funds. Except as described in the preceding sentence, 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30651-001, 2001-30651-002, 2001-30651-003, 2001-30651-004 and 2001-30651-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 9, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30651-001, 2001-30651-006, and 2001-30651-007.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-30651-007 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 9, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

August 9, 2002

**VILLAGE OF LARUE  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-30651-001**

**Finding for Recovery**

At December 31, 2001, the Village's fund cash balances exceeded reconciled cash by \$5,290.82. Although monthly reconciliations were performed by the Clerk/Treasurer, reconciling items were neither completely nor accurately identified. In both 2001 and 2000, instances were noted of the financial statements not properly agreeing to Village ledgers. Also, certain reconciling items, including deposits in transit and outstanding checks, were either incorrect or were improperly omitted. Additionally, revenues on the 2001 annual financial report were reduced by \$979.20 with an explanation of the reduction being caused by posting errors. However, the Clerk/Treasurer could not explain the errors and indicated that the reductions may have been made to achieve agreement with bank balances. Furthermore, the Village did not properly record interest earned on, or carrying values of, certificates of deposit in either 2001 or 2000. The unreconciled balance indicates that public money has been received, but not adequately accounted for by the Clerk/Treasurer.

Ohio Rev Code Section 9.39 states all "public officials are liable for all public money received or collected by them under the color of office."

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against Pat Phillips, Clerk/Treasurer, and the Ohio Government Risk Management Plan, her bonding agent, jointly and severally, in the amount of five thousand two hundred ninety dollars and eighty two cents (\$5,290.82), for public money collected but unaccounted for, in favor of the Village of LaRue.

As indicated above, when cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that statements reflect the proper financial activities of the Village. Also, lack of legislative monitoring may lead to errors or misappropriation of Village assets.

Monthly cash reconciliations should be accurately performed by the Clerk/Treasurer to determine if all receipts and disbursements have been properly posted. Reconciling items should be identified at the time of the reconciliation. Once completed, the reconciliation should be reviewed by the Village Council for completeness and accuracy. The review should also include determining that deposits and investments are allowable per the Ohio Revised Code.

**FINDING NUMBER 2001-30651-002**

**Finding for Recovery**

In 2001, the Clerk/Treasurer's approved salary was \$8,400 according to Council minutes and Ordinance 2000-8. However, the Clerk/Treasurer was paid a gross amount of \$9,099.87 in 2001, an excess of \$699.87 over the approved salary.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Pat Phillips, Clerk/Treasurer, and the Ohio Government Risk Management Plan, her bonding agent, jointly and severally, in the amount of six hundred ninety-nine dollars and eighty-seven cents (\$699.87), and in favor of the Village of LaRue.

**VILLAGE OF LARUE  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**FINDING NUMBER 2001-30651-003**

**Finding for Recovery Repaid Under Audit**

The Clerk/Treasurer had outstanding unpaid water and sewer bills from the months of June, July, and August of 2001, for an amount of \$115.50. The Clerk/Treasurer moved from the billing address and the policy of shutting off the water to recover payment of unpaid bills could not be applied to her.

On September 7, 2002, the Clerk/Treasurer paid the \$115.50 outstanding water and sewer bills.

**FINDING NUMBER 2001-30651-004**

**Findings for Recovery Repaid Under Audit**

On December 21, 2000, a check was written to the Clerk/Treasurer in the amount of \$838.48 for a two month salary advance. An agreement was signed by the Clerk/Treasurer and the Chairman of the Board of Public Affairs indicating the advance was to be paid back either through payment by the Clerk/Treasurer or withholding of salary payments. Through payroll testing and inquiry with the Clerk/Treasurer, the advance was not repaid. On July 29, 2002, the Clerk/Treasurer repaid the \$838.48 salary advance. In addition, on August 27, 2000, a check was written from the Park fund to the Clerk/Treasurer in the amount of \$225.12 for salary. However, per review of minutes, there was no indication of Council approval for this additional salary amount and the amount was not included on the Clerk/Treasurer's 2000 W-2. On August 2, 2002, the Clerk/Treasurer repaid the \$225.12 salary paid out of the Park Fund.

**FINDING NUMBER 2001-30651-005**

**Expenditures Exceed Appropriations**

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001, and December 31, 2000, budgetary expenditures exceeded appropriation authority in the following funds:

<b>12/31/01</b>			
<b>Fund</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
Permissive Tax Fund	\$4,500	\$4,822	(\$ 322)
Construction Fund	\$123,790	\$183,058	(\$59,268)
<b>12/31/00</b>			
<b>Fund</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
Street Fund	\$31,437	\$35,757	(\$4,320)
Permissive Tax Fund	\$4,500	\$9,212	(\$4,712)
Construction Fund	\$500,000	\$2,325,033	(\$1,825,033)

If expenditures exceed appropriations, the Village could experience a negative fund balance.

The Clerk/Treasurer should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending

**VILLAGE OF LARUE  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**FINDING NUMBER 2001-30651-006**

**Posting of Estimated Revenue and Appropriations and Monitoring of Budget Versus Actual Activity**

The 2001 and 2000 estimated revenue and appropriation amounts posted to the Village's ledgers varied from the amount approved and filed with the County Budget Commission. For 2001, the estimated revenue amounts posted to the Village's ledgers were understated in the General Fund by \$691. Also for 2001, the appropriation amounts posted to the Village's ledgers were understated in the Special Revenue Funds by \$1,080, overstated in the Capital Projects Fund by \$66,477, and overstated in the Enterprise Funds by \$1,260. For 2000, estimated revenue amounts posted to the Village's ledgers were understated in the General Fund by \$2,133, overstated in the Special Revenue Funds by \$1,543, understated in the Capital Projects Fund by \$241,048, and overstated in the Enterprise Funds by \$15,374. Also for 2000, the appropriation amounts posted to the Village's ledgers were overstated in the General Fund by \$1,195, overstated in the Special Revenue Funds by \$4,354, overstated in the Capital Projects Fund by \$750,000, and overstated in the Enterprise Funds by \$30,000. Furthermore, Village Council does not perform any monitoring procedures over budget versus actual receipts and expenditures.

One purpose of the budget is to help monitor the financial activity of the Village. Control and accountability over fiscal operations is lost when the budget is not used as a management tool. Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Such data may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

To use the budget effectively, the Clerk/Treasurer should post all approved budgeted amounts to the ledgers and prepare monthly reports which show budgeted and actual amounts of receipts and disbursements. The Village Council should review and use these reports to monitor the financial activity of the Village.

**FINDING NUMBER 2001-30651-007**

**Establishing Procedures for Village Pool Receipts**

Total charges for services receipts of \$15,538 in 2001 and \$15,415 in 2000 in the Special Revenue funds of the Village represent admission fees and concession receipts at the Village pool. The Village has no procedures in place to properly account for these receipts. In 2001, the only record maintained was a sign-in book used to account for daily attendees. However, there was no evidence that the number of attendees per the sign-in book was reconciled to the pool admission receipts. Furthermore, there were no records supporting concessions sold.

When records are not properly maintained and procedures are not in place to properly account for receipts, the Village has no assurance that total receipts collected are accounted for and being deposited.

The Village should implement procedures to properly account for Village pool receipts. These procedures could include using a sign-in book for all attendees. Those with a membership should be appropriately identified and separated from those who pay daily. The total daily receipts should be reconciled to the list of attendees. The Village could also use a cash register to account for daily receipts. The cash register tape should be reconciled daily to the cash received and deposited.

**VILLAGE OF LARUE  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**FINDING NUMBER 2001-30651-007 (Continued)**

**Establishing Procedures for Village Pool Receipts (Continued)**

Receipts for memberships should be prenumbered. The total memberships sold should be reconciled to the prenumbered receipts and deposits. Furthermore, procedures should be implemented to properly account for concessions sold. The Village could use a cash register and reconcile the cash register tape to the amount collected. Or, a tally sheet of items sold could be maintained and reconciled to daily receipts. Inventories of concessions should be completed daily and compared to the amounts sold. Daily reconciliations should be performed and/or reviewed by someone other than the person collecting receipts.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
OCTOBER 10, 2002**