

**VILLAGE OF LARUE
MARION COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of LaRue
PO 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, 2020 through December 31, 2021. 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 black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2022

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**VILLAGE OF LARUE
MARION COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2021 and 2020**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor’s Report – For the Year Ended December 31, 2021	1-3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2021	4
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2021	5
Notes to the Financial Statements – For the Year Ended December 31, 2021	6-12
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> – For the Year Ended December 31, 2021	13-14
Independent Auditor’s Report – For the Year Ended December 31, 2020	15-16
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2020	17
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type – For the Year Ended December 31, 2020	18
Notes to the Financial Statements – For the Year Ended December 31, 2020	19-26
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> – For the Year Ended December 31, 2020	27-28
Schedule of Audit Findings	29-32
Schedule of Prior Audit Findings	33
Corrective Action Plan – Prepared by Management	34

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of LaRue, Marion County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position or cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that 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 financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 12 to the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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, Associate

Charles E. Harris & Associates, Inc.
June 15, 2022

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, 2021

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 66,151	\$ 14,069	\$ 80,220
Intergovernmental	40,817	86,739	127,556
Special Assessments	6,128	-	6,128
Fines, Licenses and Permits	7,014	-	7,014
Charges for Services	-	5,825	5,825
Earnings on Investments	555	112	667
Miscellaneous	3,229	-	3,229
Total Cash Receipts	123,894	106,745	230,639
Cash Disbursements:			
Current:			
Security of Persons and Property	5,549	-	5,549
Leisure Time Activities	-	10,782	10,782
Community Environment	11,900	-	11,900
Basic Utility Services	5,499	-	5,499
Transportation	-	50,499	50,499
General Government	79,384	1,732	81,116
Capital Outlay	9,625	-	9,625
Total Cash Disbursements	111,957	63,013	174,970
Excess of Receipts Over (Under) Disbursements	11,937	43,732	55,669
Other Financing Receipts (Disbursements)			
Sale of Land	93,653	-	93,653
Total Other Financing Receipts (Disbursements)	93,653	-	93,653
Net Change in Fund Cash Balances	105,590	43,732	149,322
Fund Cash Balances, January 1, 2021	48,267	32,873	81,140
Fund Cash Balances, December 31, 2021	\$ 153,857	\$ 76,605	\$ 230,462

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, 2021**

	Enterprise
Operating Receipts:	
Charges for Services	\$ <u>363,322</u>
Total Operating Receipts	<u>363,322</u>
Operating Disbursements:	
Personal Services	49,669
Employee Fringe Benefits	8,168
Contractual Services	76,865
Supplies and Materials	<u>40,600</u>
Total Operating Disbursements	<u>175,302</u>
Operating Income	188,020
Non-Operating Receipts/(Disbursements):	
Intergovernmental Receipts	369,196
Loans Issued	1,721,222
Miscellaneous Receipts	5,692
Capital Outlay	(884,166)
Principal Retirement	(1,276,782)
Interest and Fiscal Charges	<u>(118,844)</u>
Total Nonoperating Receipts/(Disbursements)	<u>(183,682)</u>
Net Change in Fund Cash Balances	4,338
Fund Cash Balance, January 1, 2021	<u>208,376</u>
Fund Cash Balance, December 31, 2021	<u>\$ <u>212,714</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, 2021

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 10 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, 2021

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(C). This basis is similar to the cash receipts and disbursements accounting basis. 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(C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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 2021 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, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 242,657	\$ 217,547	\$ (25,110)
Special Revenue	74,200	106,745	32,545
Enterprise	2,594,421	2,459,432	(134,989)

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 150,718	\$ 113,325	\$ 37,393
Special Revenue	79,849	64,139	15,710
Enterprise	2,592,079	2,456,810	135,269

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits on December 31 was as follows:

	2021
Demand deposits	<u>\$443,176</u>
Total deposits	<u>\$443,176</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% 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 the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Risk Management-Continued

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020 (the latest information available).

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	<u>\$ 5,296,707</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 2021, 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, 2021.

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, 2021.

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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2021.

Note 9 - Debt

Debt outstanding at December 31, 2021 was as follows:

	Principal	Rate
OPWC (#CP26N)	\$ 136,129	0.00%
OWDA (#6002)	1,444,045	1.50%
OWDA (#7962)	76,206	0.56%
OWDA (#8384)	26,175	0.92%
OWDA (#8979)	271,347	0.00%
OWDA (#9522)	1,081,283	1.54%
OWDA (#9523)	129,638	1.54%
Total	\$ 3,164,823	

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt-Continued

In 2011, the Village 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 OWDA #5338 totaling \$523,918.

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.

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.

In 2021, the Village also entered into a grant/loan agreement for the construction of a water tower. OWDA loan #8979 is at 0% for 30 years from July 2022 – January 2052 for \$336,109. OWDA also forgave \$243,450 of principal. An amortization schedule is not yet available for this loan.

In 2021, the Village refinanced the USDA sewer loans with OWDA loans #9522 and #9523. Loan #9522 was in the amount of \$1,081,283 and loan #9523 was in the amount of \$129,638. Both loans were for a term of 18 years and have an interest rate of 1.54%

Amortization

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

Year Ending December 31:	OPWC #CP26N	OWDA #6002	OWDA #7962	OWDA #9522	OWDA #9523	OWDA #8384
2022	\$6,332	\$77,307	\$4,733	\$34,577	\$4,145	\$1,129
2023	6,332	77,307	4,733	69,154	8,292	2,258
2024	6,332	77,307	4,733	69,154	8,292	2,258
2025	6,332	77,307	4,733	69,154	8,292	2,258
2026	6,332	77,307	4,733	69,154	8,292	2,258
2027-2031	31,658	386,535	23,665	345,770	41,460	11,290
2032-2036	31,658	386,535	23,665	345,770	41,460	6,774
2037-2041	31,658	386,535	9,466	242,039	29,022	-
2042 -2044	9,495	193,267	-	-	-	-
Total	<u>\$136,129</u>	<u>\$1,739,407</u>	<u>\$80,461</u>	<u>\$1,244,772</u>	<u>\$149,255</u>	<u>\$28,225</u>

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – 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 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	\$1,368	\$1,126	\$2,494
Total	<u>\$1,368</u>	<u>\$1,126</u>	<u>\$2,494</u>

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Charles E. Harris & Associates, Inc.

Certified Public Accountants

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States 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 for each governmental and proprietary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements of the Village of LaRue, Marion County, (the Village) and have issued our report thereon dated June 15, 2022, wherein we noted that the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes 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 therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings as item 2021-002 that we consider to be a material weakness.

Report on 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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

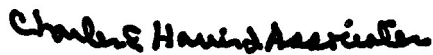
We also noted certain matters not requiring inclusion in this report that was reported to Village's management in a separate letter dated June 15, 2022.

Village's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying corrective action plan. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.
June 15, 2022

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 for each governmental and proprietary fund type as of and for the year ended December 31, 2020, and related notes of the Village of LaRue, Marion County, (the Village).

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(C) 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(C), 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(C) 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, 2020, and the changes in financial position or cash flows thereof for the year 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 for each governmental and proprietary fund type as of and for the year ended December 31, 2020, and the related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. As discussed in Note 13 to the financial statements, the Village made changes to its cash basis reporting model. We did not modify our opinions regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, 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.
June 15, 2022

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, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$ 65,606	\$ 13,715	\$ 79,321
Intergovernmental	90,450	101,751	192,201
Charges for Services	-	4,795	4,795
Fines, Licenses and Permits	7,478	-	7,478
Earnings on Investments	588	289	877
Miscellaneous	15,818	-	15,818
Total Cash Receipts	179,940	120,550	300,490
Cash Disbursements:			
Current:			
Security of Persons and Property	7,139	55,727	62,866
Leisure Time Activities	688	7,802	8,490
Community Environment	3,850	-	3,850
Basic Utility Services	3,846	-	3,846
Transportation	-	36,726	36,726
General Government	124,008	1,982	125,990
Total Cash Disbursements	139,531	102,237	241,768
Net Change in Fund Cash Balances	40,409	18,313	58,722
Fund Cash Balances, January 1, 2020, Restated	7,858	14,560	22,418
Fund Cash Balances, December 31, 2020	\$ 48,267	\$ 32,873	\$ 81,140

**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, 2020**

	Enterprise
Operating Receipts:	
Charges for Services	\$ <u>360,642</u>
Total Operating Receipts	<u>360,642</u>
 Operating Disbursements:	
Personal Services	44,696
Employee Fringe Benefits	7,455
Contractual Services	140,303
Supplies and Materials	<u>21,431</u>
Total Operating Disbursements	<u>213,885</u>
 Operating Income	 146,757
 Non-Operating Receipts/(Disbursements):	
Intergovernmental	11,893
Capital Outlay	(13,659)
Loans Issued	92,721
Miscellaneous Receipts	4,305
Principal Retirement	(106,564)
Interest and Fiscal Charges	<u>(84,120)</u>
Total Nonoperating Receipts/(Disbursements)	<u>(95,424)</u>
 Income (Loss) before Transfers	 51,333
 Transfers In	 9,113
Transfers Out	<u>(9,113)</u>
 Net Change in Fund Balance	 51,333
 Fund Cash Balance, January 1, 2020, Restated	 <u>157,043</u>
 Fund Cash Balance, December 31, 2020	 \$ <u><u>208,376</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, 2020

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, 2020

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(C). This basis is similar to the cash receipts and disbursements accounting basis. 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(C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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 2020 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.

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.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies – Continued

Fund Balance-Continued

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 174,395	\$ 179,940	\$ 5,545
Special Revenue	193,197	120,550	(72,647)
Enterprise	449,113	478,674	29,561

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 172,652	\$ 140,644	\$ 32,008
Special Revenue	121,804	103,109	18,695
Enterprise	399,060	428,777	(29,717)

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

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits on December 31 was as follows:

	2020
Demand deposits	\$289,516
Total deposits	\$289,516

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% 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 the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Risk Management-Continued

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	<u>\$ 5,296,707</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 2020, 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, 2020.

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, 2020.

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 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4 percent during calendar year 2020.

Note 9 - Debt

Debt outstanding at December 31, 2020 was as follows:

	Principal	Rate
USDA Loan #1	\$ 1,075,000	4.50%
USDA Loan #3	131,000	3.25%
OPWC (#CP26N)	145,626	0.00%
OWDA (#8979)	4,477	0.00%
OWDA (#6002)	1,499,071	1.50%
OWDA (#7962)	80,517	0.56%
OWDA (#8384)	28,142	0.92%
Total	<u>\$ 2,963,833</u>	

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt -Continued

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 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 OWDA #5338 totaling \$523,918.

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.

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.

In 2020, the Village also obtained a loan (#8979) agreement from OWDA for the construction of a water tower. OWDA granted a loan at 0% for 30 years from July 2022 – January 2052 for \$336,109. OWDA forgave \$87,061 of the principal balance of loan #8979 in 2020.

Amortization

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

Year Ending December 31:	USDA Loans	OPWC Loan	OWDA Loans
2021	\$91,632	\$6,332	\$79,673
2022	91,940	6,332	83,169
2023	91,158	6,332	84,298
2024	91,330	6,332	84,298
2025	91,412	6,332	84,298
2026-2030	459,825	31,658	421,490
2031-2035	457,935	31,658	419,232
2036-2040	457,418	31,658	400,734
2041-2044	-	18,992	270,574
Total	<u>\$1,832,650</u>	<u>\$145,626</u>	<u>\$1,927,766</u>

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 2020.

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 Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$1,113	\$872	\$1,985
Total	\$1,113	\$872	\$1,985

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – Change in Accounting Principle

For 2020, the Village has made a change to their cash basis reporting model by removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

Note 14 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$55,727 was sub-granted to other governments and organizations. These amounts are reflected as security of persons and property in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Village of LaRue
Marion County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 15 – Prior Period Adjustments

The Village voided several checks and corrected posting errors in 2020 that were from prior years. Therefore, the beginning fund balances for 2020 are restated as follows:

	General Fund	Special Revenue Fund	Enterprise Fund
Fund Balance as previously reported	\$7,459	\$14,224	\$156,973
Adjustment for checks written in 2019 and voided in 2020	399	336	-
Adjustment for correction of posting errors made in prior year	-	-	70
Restated Fund balance	<u>\$7,858</u>	<u>\$14,560</u>	<u>\$157,043</u>

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States 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 for each governmental and proprietary fund type as of and for the year ended December 31, 2020, and the related notes of the Village of LaRue, Marion County, (the Village) and have issued our report thereon dated June 15, 2022, wherein we noted that the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, we noted the change in the Village's reporting model for 2020.

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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2021-001 and 2021-002 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 its 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 2021-001 and 2021-003.

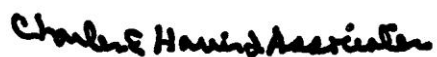
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 15, 2022.

Village'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.
June 15, 2022

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings
December 31, 2021 and 2020

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

Finding Number 2021-001 – 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, 2021 and 2020

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

Finding Number 2021-001 – 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 2020 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 \$36,452 as of December 31, 2020. The Village transferred \$9,113 into this fund in 2020. However, a total of \$64,661 should have been transferred into the fund during 2020.
- The sewer rates charged by the Village were insufficient to meet the requirements in Sections 8 and 10. In 2020, 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 but the debt was refinanced in 2021.

Management's Response:

See Corrective Action Plan.

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings - Continued
December 31, 2021 and 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2021-002 – Material Weakness

Audit Adjustments, Reclassifications and Notes to the Financial Statements

During 2021 and 2020, errors were noted in the Village's financial statements that required audit adjustments, reclassifications, and revision to the notes to the financial statements, the most significant of which are as follows:

- Loan proceeds of \$79,597 in 2020 were erroneously recorded as miscellaneous receipts in the enterprise fund.
- Proceeds from a State of Ohio grant received totaling \$4,700 and \$56,238 in 2021 and 2020, respectively, were erroneously recorded as miscellaneous receipts in the general fund rather than as intergovernmental receipts. In addition, \$369,196 in State grants were erroneously recorded as loans issued in the Enterprise fund in 2021.
- Rollback and homestead receipts were recorded as real estate taxes instead of intergovernmental receipts in the amount of \$11,769 and \$11,942 for 2021 and 2020, respectively.
- In 2021, COVID-19 receipts totaling \$37,396 were erroneously recorded to other financing sources and in 2020, COVID-19 receipts of \$55,977 were erroneously recorded to miscellaneous receipts.
- In 2020, \$55,977 of expenses were misclassified as other financing uses rather than security of persons and property and general government expenses.
- In 2021, the cost of purchasing a leaf machine for \$9,625 was misclassified as a general government disbursement rather than a capital outlay disbursement.
- In 2020, debt service payments in the enterprise fund of \$130,393 were misclassified.
- In 2021, the refinancing of a loan for \$1,210,921 was not recorded.
- 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 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 34.

VILLAGE OF LARUE
MARION COUNTY
Schedule of Audit Findings - Continued
December 31, 2021 and 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2021-003 – 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 fund had expenditures plus encumbrances that exceeded appropriations at December 31, 2020:

Fund	Approved Appropriations	Budgetary Disbursements	Variance
Water Operating	\$233,797	\$272,526	\$(38,729)

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 34.

VILLAGE OF LARUE
MARION COUNTY
For the Years Ended December 31, 2021 and 2020

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2019-001	Noncompliance and Material Weakness – Debt Covenants	Not corrected for 2020-see 2021-001 Refinanced in 2020, so no longer applicable.	
2019-002	Noncompliance and Material Weakness – Audit Adjustments, Reclassifications and Notes to the Financial Statements	Not Corrected	See 2021-002
2019-003	Material Noncompliance – Expenditures exceeded appropriations	Not Corrected for 2020	See 2021-003

**VILLAGE OF LARUE
MARION COUNTY
For the Years Ended December 31, 2021 and 2020**

CORRECTIVE ACTION PLAN – PREPARED BY MANAGEMENT

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	NA – Debt was refinanced in 2021.		
2021-002	The Village Clerk will set up accounts in UAN that are needed to properly record all transactions. The Village Clerk will also review the Village Officer’s Handbook and other Auditor of State guidance as references when recording transactions.	December 2022	Mary Price, Village Clerk
2021-003	The Fiscal Officer will record the budget amounts approved by the Council and the County Auditor into UAN.	December 2022	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 9/6/2022

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