



**VILLAGE OF WEST LAFAYETTE
COSHOCTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of West Lafayette
Coshocton County
PO Box 175
West Lafayette, Ohio 43845

To the Mayor and Village Council:

We have audited the accompanying financial statements of the Village of West Lafayette, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1998 and 1997, 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 April 14, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Village of West Lafayette
Coshocton County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, 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.

Jim Petro
Auditor of State

April 14, 2000

VILLAGE OF WEST LAFAYETTE
COSHOCOTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

| | General | Special Revenue | Debt Service | Capital Projects | (Memorandum Only) Total |
|---|------------------|--------------------|-----------------|---------------------|-------------------------------|
| Cash Receipts: | | | | | |
| Local Taxes | \$266,437 | | \$2,882 | | \$269,319 |
| Intergovernmental | 101,974 | \$75,842 | 499 | \$18,549 | 196,864 |
| Interest | 24,171 | 944 | | | 25,115 |
| Charges for Services | 18,022 | | | | 18,022 |
| Contributions and Donations | | | | 2,000 | 2,000 |
| Fines, Licenses, and Permits | 14,037 | | | | 14,037 |
| Miscellaneous | 203 | 2,949 | | 9 | 3,161 |
| Total Cash Receipts | 424,844 | 79,735 | 3,381 | 20,558 | 528,518 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 246,496 | | | | 246,496 |
| Public Health Services | 2,976 | | | | 2,976 |
| Leisure Time Activities | 2,912 | | | | 2,912 |
| Transportation | | 5,653 | | | 5,653 |
| General Government | 66,131 | 68,360 | 69 | | 134,560 |
| Debt Service: | | | | | |
| Redemption of Principal | 22,000 | 4,607 | 2,000 | | 28,607 |
| Interest | 14,220 | | 425 | | 14,645 |
| Capital Outlay | | | | 22,967 | 22,967 |
| Total Cash Disbursements | 354,735 | 78,620 | 2,494 | 22,967 | 458,816 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 70,109 | 1,115 | 887 | (2,409) | 69,702 |
| Other Financing Receipts (Disbursements): | | | | | |
| Sale of Fixed Assets | 1,381 | | | | 1,381 |
| Transfers-Out | (500) | | | | (500) |
| Other Sources | 10,612 | | | | 10,612 |
| Total Other Financing Receipts | 11,493 | 0 | 0 | 0 | 11,493 |
| Total Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 81,602 | 1,115 | 887 | (2,409) | 81,195 |
| Fund Cash Balances, January 1, 1998 | 189,553 | 23,225 | 2,929 | 2,409 | 218,116 |
| Fund Cash Balances, December 31, 1998 | \$271,155 | \$24,340 | \$3,816 | \$0 | \$299,311 |
| Reserves for Encumbrances, December 31, 1998 | \$0 | \$0 | \$1,000 | \$0 | \$1,000 |

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

VILLAGE OF WEST LAFAYETTE
COSHOCOTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997

| | General | Special Revenue | Debt Service | Capital Projects | (Memorandum Only) Total |
|---|------------------|--------------------|-----------------|---------------------|-------------------------------|
| Cash Receipts: | | | | | |
| Local Taxes | \$250,449 | | \$2,612 | | \$253,061 |
| Intergovernmental | 93,841 | \$75,453 | 324 | \$17,138 | 186,756 |
| Interest | 18,305 | 1,422 | | | 19,727 |
| Charges for Services | 21,398 | | | | 21,398 |
| Contributions and Donations | | | | 6,050 | 6,050 |
| Fines, Licenses, and Permits | 5,418 | | | | 5,418 |
| Miscellaneous | 753 | 1,425 | | | 2,178 |
| Total Cash Receipts | 390,164 | 78,300 | 2,936 | 23,188 | 494,588 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 257,229 | | | | 257,229 |
| Public Health Services | 2,784 | | | | 2,784 |
| Leisure Time Activities | 1,148 | | | | 1,148 |
| Transportation | | 58,637 | | | 58,637 |
| General Government | 64,833 | | 72 | | 64,905 |
| Debt Service: | | | | | |
| Redemption of Principal | | 4,607 | 3,000 | | 7,607 |
| Interest | | | 553 | | 553 |
| Capital Outlay | 270,000 | 60,099 | 0 | 39,667 | 369,766 |
| Total Cash Disbursements | 595,994 | 123,343 | 3,625 | 39,667 | 762,629 |
| Total Cash Receipts (Under) Cash Disbursements | (205,830) | (45,043) | (689) | (16,479) | (268,041) |
| Other Financing Receipts (Disbursements): | | | | | |
| Proceeds of Bonds | 270,000 | | | | 270,000 |
| Other Proceeds from Sale of Public Debt | | | 1,000 | | 1,000 |
| Transfers-In | | 20,000 | | | 20,000 |
| Transfers-Out | (25,000) | | | | (25,000) |
| Total Other Financing Receipts | 245,000 | 20,000 | 1,000 | 0 | 266,000 |
| Total Cash Receipts and Other Financing Receipts | 39,170 | (25,043) | 311 | (16,479) | (2,041) |
| Over/(Under) Cash Disbursements and Other Financing Disbursements | | | | | |
| Fund Cash Balances, January 1, 1997 Restated (See Note 2) | 150,383 | 48,268 | 2,618 | 18,888 | 220,157 |
| Fund Cash Balances, December 31, 1997 | \$189,553 | \$23,225 | \$2,929 | \$2,409 | \$218,116 |
| Reserves for Encumbrances, December 31, 1997 | \$0 | \$2,713 | \$0 | \$0 | \$2,713 |

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

VILLAGE OF WEST LAFAYETTE
COSHOCOTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

| | 1998 Enterprise | 1997 Enterprise |
|---|--------------------|--------------------|
| Operating Cash Receipts: | | |
| Charges for Services | \$632,298 | \$553,689 |
| Miscellaneous | 3,102 | 481 |
| | 635,400 | 554,170 |
| Total Operating Cash Receipts | | |
| Operating Cash Disbursements: | | |
| Personal Services | 154,741 | 141,169 |
| Contractual Services | 192,261 | 966,601 |
| Supplies and Materials | 50,449 | 39,990 |
| Capital Outlay | 343,041 | 748,899 |
| | 740,492 | 1,896,659 |
| Total Operating Cash Disbursements | | |
| Operating (Loss) | (105,092) | (1,342,489) |
| Non-Operating Cash Receipts: | | |
| Intergovernmental | 197,895 | 664,759 |
| Proceeds from Temporary Mortgage Revenue Bonds | 2,208,000 | 1,083,000 |
| Interest | 5,933 | 32,782 |
| Miscellaneous | | 260 |
| Sale of Fixed Assets | | 132 |
| | 2,411,828 | 1,780,933 |
| Total Non-Operating Cash Receipts | | |
| Non-Operating Cash Disbursements: | | |
| Debt Service | 2,268,393 | 101,671 |
| Fiscal Charges | 87,591 | |
| | 2,355,984 | 101,671 |
| Total Non-Operating Cash Disbursements | | |
| Total Receipts (Under) Disbursements Before Interfund Transfers and Advances | (49,248) | 336,773 |
| Transfers-In | 500 | 5,000 |
| | (48,748) | 341,773 |
| Net Receipts Over Disbursements | | |
| Fund Cash Balances, January 1 | 620,013 | 278,240 |
| Fund Cash Balances, December 31 | \$571,265 | \$620,013 |
| Reserves for Encumbrances, December 31 | \$0 | \$0 |

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

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of West Lafayette, Coshocton 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 governmental services, including water and sewer utilities, fire protection and street maintenance and repair, park operations (leisure time activities), and police services.

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 expenditures were made).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

During fiscal years 1998 and 1997, cash and investments were limited to checking accounts and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

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 Fund:

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bond indebtedness. The Village had the following significant Debt Service Fund:

Debt Service Fund - This fund receives tax revenue monies for retirement of bonds.

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 funds). The Village had the following significant Capital Projects Fund:

Burt Park Fund - This fund received funding from the State along with contributions from community groups to build restroom facilities at Burt Park.

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.

Water Treatment Plant Fund - This fund received loan proceeds to construct the water treatment plant expansion. This loan will be repaid from increased water rates.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use encumbrance method of accounting, contrary to Ohio Admin. Code Sections 117-05-11 and 117-05-13 and did not certify availability of funds prior to purchase commitments, contrary to Ohio Rev. Code Section 5705.41 (D).

A summary of 1998 and 1997 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. RESTATEMENT OF PRIOR YEAR BALANCES

In prior years, the Burt Park Fund was reported as a Special Revenue Fund. However, since Burt Park is owned by the Village and the fund activity reflects park improvements, the Burt Park Fund has been reported as a Capital Projects Fund. Accordingly, the Special Revenue Fund January 1, 1997 balances have been restated by (\$18,888), and the Capital Projects Fund cash balances have been restated by \$18,888, respectively.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>1998</u> | <u>1997</u> |
|--------------------------------|-------------------|-------------------|
| Demand deposits | \$ 81,831 | \$ 75,700 |
| Investments: | | |
| Repurchase agreements | <u>788,745</u> | <u>762,429</u> |
| Total deposits and investments | <u>\$ 870,576</u> | <u>\$ 838,129</u> |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Nonparticipating investment contracts such as repurchase agreements are reported at cost and are collateralized by the financial institutions public entity deposit pool.

At December 31 1998 and 1997, \$788,745 and \$762,429, respectively, were invested in overnight repurchase agreements without a written investment policy approved by the Clerk-Treasurer and Village Council, contrary to Ohio Rev. Code Section 135.14. In addition, the Clerk-Treasurer, invested Village funds in investments other than interim deposits and did not attend and/or complete any annual continuing education programs provided by the Treasurer of State during 1998 or 1997, contrary to Ohio Rev. Code Section 135.22.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and 1997 follows:

| 1998 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 539,651 | \$ 436,837 | \$ (102,814) |
| Special Revenue | 94,216 | 79,735 | (14,481) |
| Debt Service | 3,259 | 3,381 | 122 |
| Capital Projects | 0 | 20,558 | 20,558 |
| Enterprise | 595,823 | 3,047,728 | 2,451,905 |
| Total | \$ 1,232,949 | \$ 3,588,239 | \$ 2,355,290 |

| 1998 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 588,860 | \$ 355,235 | \$ 233,625 |
| Special Revenue | 113,749 | 78,620 | 35,129 |
| Debt Service | 3,525 | 3,494 | 31 |
| Capital Projects | 0 | 22,967 | (22,967) |
| Enterprise | 684,736 | 3,096,476 | (2,411,740) |
| Total | \$ 1,390,870 | \$ 3,556,792 | \$ (2,165,922) |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

4. BUDGETARY ACTIVITY (Continued)

| 1997 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 471,212 | \$ 660,164 | \$ 188,952 |
| Special Revenue | 90,600 | 98,300 | 7,700 |
| Debt Service | 2,742 | 3,936 | 1,194 |
| Capital Projects | 66,522 | 23,188 | (43,334) |
| Enterprise | 581,256 | 2,340,103 | 1,758,847 |
| Total | \$ 1,212,332 | \$ 3,125,691 | \$ 1,913,359 |

| 1997 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 529,582 | \$ 620,994 | \$ (91,412) |
| Special Revenue | 140,115 | 126,056 | 14,059 |
| Debt Service | 3,653 | 3,625 | 28 |
| Capital Projects | 66,522 | 39,667 | 26,855 |
| Enterprise | 640,721 | 1,998,330 | (1,357,609) |
| Total | \$ 1,380,593 | \$ 2,788,672 | \$ (1,408,079) |

5. NONCOMPLIANCE

During 1998 and 1997, the Clerk-Treasurer did not record the activity of the Enterprise Water Treatment Fund or the total activity for the Capital Projects Burt Park Fund within the Village's accounting records. In addition, during 1998, proceeds of notes and the related payment of the fire truck debt were not recorded in the Village's cash journal, both contrary to Ohio Admin. Code Section 117-05-09.

The Village's 1998 cash receipt journal only documented monthly totals by fund, function, and line item rather than detailing transactions by fund, function, and line items, contrary to Ohio Admin. Code Section 117-05-10.

The Village's 1998 appropriation ledger only documented monthly totals by fund, function, and line item rather than detailing the transactions by fund, function, and line items, contrary to Ohio Admin. Code Section 117-05-11.

The Village did not prepare pay-ins for the activity of the Enterprise Water Treatment Fund or the Capital Projects Burt Park Fund, contrary to Ohio Admin. Code Section 117-05-12.

The Village overspent its appropriations in 1997 within the General Fund by \$91,412, and Enterprise Water Treatment Plant Fund by \$1,373,762 and Water Revenue Fund by \$16,539 and in 1998 in the Capital Project Burt Park Fund by \$22,967 and Enterprise Fund Water Treatment Plant by \$2,574,623, contrary to Ohio Rev. Code Section 5705.41 (B).

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. NONCOMPLIANCE (Continued)

In March 18, 1997, the Village entered into a \$15,460 contract for foundation work at Burt Park without proper competitive bidding procedures contrary to Ohio Rev. Code Section 735.05.

The Village did not initially record Issue II funds received from the Ohio Public Works Commission in the amounts of \$114,422 and \$94,750 in 1998 and 1997, respectively, contrary to Ohio Rev. Code Section 5705.42.

6. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

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.

7. DEBT

Debt outstanding at December 31, 1998 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|---------------------|--------------------------|
| 1992 Ohio Public Works Commission | \$ 66,801 | 0% |
| 1960 Water Revenue Bonds | 8,000 | 5% |
| 1982 Waterworks System Improvement Bonds | 10,000 | 12% |
| 1994 FmHA Loan with U.S. Department of Agriculture | 198,600 | 5.13% |
| 1990 Ohio Department of Water Development Authority | 533,273 | 8% |
| 1998 Temporary Water Mortgage Revenue Bonds | 1,125,000 | 4% |
| 1997 Fire Truck Bonds | 210,000 | 5% |
| | <hr/> | |
| Total | <u>\$ 2,151,674</u> | |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

7. DEBT (Continued)

1992 Ohio Public Works Commission (OPWC) Loan was for storm water drainage improvements, dated April 15, 1992, and are due in semi-annual installments of \$2,304 through January 1, 2013.

1994 FmHA Loan with the U.S. Department of Agriculture was for sewer improvements, dated March 29, 1994, and are due in various annual installments thorough 2034, bearing interest of 5.13%.

1990 Ohio Water Development Authority (OWDA) Loan dated October 27, 1988 was for utility system improvements and are due in semi-annual installments of \$37,859 through 2010.

1982 Waterworks System Improvement Bonds with Bank One were for improving the Municipal Waterworks system by constructing a water storage tank and acquiring and installing a water pump, dated May 12, 1982, and are due in annual redemptions of \$10,000 with varied interest pursuant to time elapsed through 1999.

1998 Temporary Mortgage Revenue Bonds dated December 3, 1998 was for the construction of the Water Treatment Plant and are due in annual payment on August 26, 1999.

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

| Year ending December 31: | OPWC Loan | OWDA | FMHA Loan | Water Works |
|-----------------------------|------------------|-------------------|-------------------|------------------|
| 1999 | \$ 4,607 | \$ 75,716 | \$ 12,278 | \$ 11,225 |
| 2000 | 4,607 | 75,718 | 12,271 | |
| 2001 | 4,607 | 75,718 | 12,258 | |
| 2002 | 4,607 | 75,718 | 12,340 | |
| 2003 | 4,607 | 75,718 | 12,311 | |
| Thereafter | <u>43,766</u> | <u>454,303</u> | <u>370,918</u> | |
| Total | <u>\$ 66,801</u> | <u>\$ 832,891</u> | <u>\$ 432,376</u> | <u>\$ 11,225</u> |

1960 Water Revenue Bonds with Bank One were for improving the municipal water system dated July 11, 1960 due in alternating year redemptions of \$2,000 and \$3,000 and varied interest pursuant to time elapsed through 2001.

1997 Fire Truck Bonds dated September 25, 1997 was for the purchase of a new fire engine which was to be paid from tax distributions from the County Auditor. The payments are due December 1 each year with the bonds maturing in 2007.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

7. DEBT (Continued)

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

| Year ending December 31: | Water Bonds | Fire Truck Bonds |
|-----------------------------|-------------|---------------------|
| 1999 | \$ 3,340 | \$ 34,276 |
| 2000 | 2,213 | 35,187 |
| 2001 | 3,128 | 34,999 |
| 2002 | | 34,762 |
| 2003 | | 34,475 |
| Thereafter | | 101,543 |
| Total | \$ 8,681 | \$ 275,242 |

During 1997, the Village did not specify tax collections for debt retirement and place the tax collections in a bond retirement fund for the purpose of retiring the fire truck debt of \$270,000, contrary to Village of West Lafayette, Ordinance, Section 37-97, (1997) and the \$270,000 Fire Truck Acquisition Bond debt covenant.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

9. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Comprehensive property
- General liability and casualty
- Public official's Errors and Omissions
- Automotive Liability
- Inland Marine
- Law Enforcement

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

10. LEASE OBLIGATION

The Village has a lease/purchase agreement for a police cruiser. The following is a schedule of the future minimum payments required as of December 31, 1998:

| <u>Year</u> | <u>Obligation</u> |
|-------------|------------------------|
| 1999 | \$5,631 |
| 2000 | 5,631 |
| 2001 | 5,631 |
| 2002 | 1,876 |
| Total | <u><u>\$18,769</u></u> |

These expenditures are reflected as program expenditures (Debt Service) in the General Fund.

11. SUBSEQUENT EVENT

On August 26, 1999, the Village received financing for the Water Treatment Plant from the Ohio Water Development Authority loan in the amount of \$1,128,938 at a rate of 5.77% for 20 years. The first payment is due July 1, 2000.

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

Village of West Lafayette
Coshocton County
PO Box 175
West Lafayette, Ohio 43845

To the Mayor and Village Council:

We have audited the accompanying financial statements of the Village of West Lafayette, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 14, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of 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 audits 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 1998-31016-001 through 1998-31016-008.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 internal control over financial reporting and its operations 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 judgement, 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. The reportable conditions are described in the accompanying Schedule of Findings as items 1998-31016-009 through 1998-31016-011.

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 items 1998-31016-009 and 1998-31016-010 to be material weaknesses.

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 April 14, 2000.

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

Jim Petro
Auditor of State

April 14, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

FINDING NUMBER 1998-31016-001

Ohio Admin. Code Section 117-05-01 provides that each village which uses the cash basis of accounting use the uniform system of accounting prescribed by Ohio Admin. Code Sections 117-05-01 to 117-05-18. The Village did not comply with the following provisions of Section 117-05:

- Section 117-05-09 provides guidelines for the proper and complete maintenance of a village cash journal. During 1998 and 1997, the Clerk-Treasurer did not record the activity of the Enterprise Water Treatment Fund or the total activity of the Capital Projects Burt Park Fund within the cash journal. In addition, during 1998, proceeds of notes and the related payment of fire truck debt were not recorded within the Village's cash journal. As a result, the Village's receipts, expenditures and fund balances were originally understated in 1998 and 1997.

The Clerk-Treasurer should accurately record all financial activity of the Village within the cash journal (i.e, cashbook). At the end of each month, the cashbook columns should be totaled and reconciled with the monthly receipt journal and appropriation ledger column totals. The column totals should be ruled off to document this reconciliation.

- Section 117-05-10 provides guidelines for the proper and complete maintenance of a village receipt journal. During 1998, the Village instituted a computerized accounting system including a receipt journal which was later determined to be neither complete nor accurate. Subsequent to the audit period, the Clerk-Treasurer recapped 1998 receipt activity manually. However, the 1998 manual receipt journal only documented monthly totals by fund, function, and line item; rather than detailing transactions by fund, function, and line item as required by this Section.

The Clerk-Treasurer should accurately record all receipt activity of the Village within the receipt journal. At the end of each month, the monthly receipt journal columns should be totaled and reconciled with the monthly cash journal receipt column totals. The column totals should be ruled off to document this reconciliation.

- Section 117-05-11 provides guidelines for the proper and complete maintenance of a village appropriation ledger. During 1998, the Village instituted a computerized accounting system including an appropriation ledger which was later determined to be neither complete nor accurate. Subsequent to the audit period, the Clerk-Treasurer recapped 1998 disbursement activity manually. However, the 1998 manual appropriation ledger only documented monthly totals by fund, function, and line item; rather than detailing transactions by fund, function, and line item as required by this Section. In addition during 1998 and 1997, the Clerk-Treasurer did not maintain a declining balance for appropriations by line item as required by this Section.

Noncompliance (Continued)

FINDING NUMBER 1998-31016-001 (Continued)

- **Section 117-05-11 (Continued)**

During 1998 and 1997, the Village also did not properly use the encumbrance method of accounting as required by this Section. By not using the encumbrance method of accounting, and not reconciling the cash journal to the receipt journal and appropriation ledger; the Village's records could contain mispostings or errors without the knowledge of the Clerk-Treasurer. The Village could also overspend its appropriations within a specific line item without the knowledge of the Clerk-Treasurer. Also the Clerk-Treasurer did not certify availability of funds, contrary to Ohio Revised Code Section 5705.41(D).

The Clerk-Treasurer should post encumbrances to the Village's appropriation ledger, maintain a declining balance of available monies for expenditure, total ledger columns monthly, and reconcile the appropriation ledger to the cash journal monthly. In addition, the Clerk-Treasurer should certify the availability of funds prior to the purchase commitment. These procedures will enable management to effectively monitor spending and assist the Village with budget management decisions.

- Section 117-05-12 requires that pay-in-orders be executed for all monies received by the Village. The Village did not prepare pay-ins for the activity of the Enterprise Water Treatment Fund or the Capital Projects Burt Park Fund. As a result, initially there was no source documentation available from the Village regarding these projects.

The Clerk-Treasurer should prepare pay-ins for all monies received directly or on behalf of the Village. This procedure will help ensure that source documentation is available for each transaction required to be posted to the receipt journal and cash journal.

- Section 117-05-13 requires each purchase order be made out in triplicate with the original given to the vendor. Each executed purchase order shall provide the date, appropriation fund code classification, executed Clerk-Treasurer's certificate and other required information. The Clerk-Treasurer did not execute purchase orders for goods and services purchased by the Village during 1997 and 1998.

The Clerk-Treasurer should prepare purchase orders for all monies expended directly or on behalf of the Village. This procedure will help ensure that source documentation is available for each transaction required to be posted to the appropriation ledger and cash journal.

Noncompliance (Continued)

FINDING NUMBER 1998-31016-002

Ohio Rev. Code Section 5705.41 (B), requires that no subdivision expend money unless it has been lawfully appropriated. The Village had expenditures plus encumbrances which exceeded appropriations as follows for 1998 and 1997:

| | <u>Amount of Appropriations</u> | <u>Amount of Expenditures</u> | <u>Variance</u> |
|---------------------------------|-------------------------------------|-----------------------------------|-----------------|
| <u>1998</u> | | | |
| Capital Projects | | | |
| Burt Park Fund | \$0 | \$22,967 | (\$22,967) |
| Enterprise Fund | | | |
| Wastewater Treatment Plant Fund | 0 | 2,574,623 | (2,574,623) |
| <u>1997</u> | | | |
| General Fund | 529,582 | 620,994 | (91,412) |
| Enterprise Fund | | | |
| Wastewater Treatment Plant Fund | 0 | 1,373,762 | (1,373,762) |
| Water Revenue Fund | 297,513 | 314,052 | (16,539) |

These variances are primarily the result of the Village not appropriating for two funds (Enterprise Water Treatment Fund and Capital Projects Burt Park Fund) and the purchase of a fire truck in the General Fund. These project costs and purchases incurred by the Village were not initially maintained within the Village's accounting records. As part of the audit, the off-book financial activity was adjusted for reporting purposes creating the variances.

The Village should obtain an Amended Certificate of Estimated Resources for additional revenue for capital improvement projects and major purchases and increase its appropriations accordingly to reduce the possibility of overspending available resources.

FINDING NUMBER 1998-31016-003

Ohio Rev. Code Section 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded as such by the subdivision.

The Village did not initially record Issue II funds received from the Ohio Public Works Commission in the amounts of \$114,422 and \$94,750 during 1998 and 1997, respectively. As a result, the Village's ledgers and financial statements originally did not accurately reflect the complete financial activity of the Village. The Village should record all activity related to Issue II funds received.

Noncompliance (Continued)

FINDING NUMBER 1998-31016-004

Ohio Rev. Code Section 735.05 establish requirements for bidding and awarding purchases, projects, and contracts exceeding \$10,000. On March 18, 1997, the Village entered into a \$15,460 contract for foundation work at Burt Park without complying with proper competitive bidding procedures.

The Village should comply with proper competitive bidding requirements for all contracts that exceed the bidding limit of \$10,000 (\$15,000 effective March 30, 1999).

FINDING NUMBER 1998-31016-005

Ohio Rev. Code Section 135.14 requires a subdivision have a written investment policy approved by the Treasurer and governing body. This policy is required to be filed with the Auditor of State prior to making any investments unless that total amount invested is less than \$100,000, or the monies are invested in only certificates of deposit or STAR Ohio.

At December 31 1998 and 1997, \$788,745 and \$762,429, respectively, were invested in overnight repurchase agreements without a written investment policy approved by the Clerk-Treasurer and Village Council as required by this Section. The Clerk-Treasurer and Village Council should approve a written investment policy. This policy should be filed with the Auditor of State.

FINDING NUMBER 1998-31016-006

Ohio Rev Code Section 135.22 requires the Clerk-Treasurer to complete annual continuing education provided by the Treasurer of State. Without such training, the Treasurer is limited to investments in interim deposits and STAR Ohio.

During 1998 and 1997, the Clerk-Treasurer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State and still invested funds in repurchase agreements, and at both year ends, roughly 91% of the Village's funds were invested in repurchase agreements. The Clerk-Treasurer should either attend continuing education programs or limit the Village's investment to those permitted by law without training. Village Council should monitor the Clerk-Treasurer to ensure the Clerk-Treasurer completes the annual continuing education programs as required by Ohio Rev. Code Section 135.22.

FINDING NUMBER 1998-31016-007

Village of West Lafayette, Ordinance, Section 37-97, (1997) and the \$270,000 Fire Truck Acquisition Bond debt covenant requires that Village tax collections be specified for debt retirement and placed in a bond retirement fund for the purpose of retiring the debt on the \$270,000 Fire Truck Acquisition Bond issue. As a result of the bond covenant not being satisfied, the Village may be subject to default on the bonds.

During 1998, the Village receipted all tax funds into the General Fund and paid the debt directly from the General Fund contrary to the restrictions in Village Ordinance No. 37-97. As a result of the bond covenant not being satisfied, the Village may be subject to default on the bonds. The Village should notify the County Auditor of the restrictive bond covenant requirements so a portion of the tax revenues can be distributed to a bond retirement fund for the repayment of the Fire Truck debt.

Noncompliance (Continued)

FINDING NUMBER 1998-31016-008

Burt Park Activity

From July 1996 through approximately August 1998, the Village made certain improvements to the Village's Burt Park. To fund these improvements, the Village obtained Appalachian and Nature Works grants totaling \$54,000 from the Ohio Department of Natural Resources. In addition, the Village also received roughly \$13,000 from various foundations and community members in the form of gifts and donations. Finally, the Village also received \$18,000, in three separate and varying amounts, from the Village's Chamber of Commerce (Chamber). As reflected within Finding No. 1998-31016-009 below, the financial activity of this project was not maintained within the Village's accounting records nor were the receipt and expenditure transactions approved by Village Council or reflected within Village Council's minutes record.

Throughout the project and as cash flows permitted, we noted the Village returned \$18,221 (\$18,000 plus \$221 interest) and an additional \$3,322.31 for a total of \$21,543.31 to the Chamber via Check Nos. 135, 144, 146, and 147 and in the amounts of \$2,993.89, \$3,070.44, \$4,897.24 and \$10,581.74, respectively. Each check was made payable to the West Lafayette Chamber of Commerce; approved by Marilyn Vance, Village Clerk-Treasurer; and drawn at Bank One (Bank). However, there was no documentation to support the return beyond \$18,221. The last check for \$10,581.74 closed out the Village's off-book Recreation checking account. This check was endorsed by Donald Lusk personally, not as Chamber President. Therefore, based on documents reviewed only \$7,259.43 of the \$10,581.74 was required to meet the Village's \$18,221 (\$7,259.43+\$2,993.89+\$3,070.44+\$4,897.24) outstanding commitment to the Chamber. Correspondence with Donald Lusk revealed the Bank returned the extra \$3,322.31 to him in cash.

We noted certain invoices aggregating \$2,415.29 which did not appear within the Village's Appropriation Ledger, and through discussions with Chamber personnel, did not appear within its accounting records. However, these invoices were determined to be reasonable expenditures for the Burt Park project. The unaccounted amount (\$3,321.31-\$2,415.29) is reduced accordingly. The net result is that \$907.02 has been illegally expended.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery of public monies that have been illegally expended is hereby issued against the West Lafayette Chamber of Commerce; Donald Lusk, past Chamber President; Marilyn Vance, Village Clerk-Treasurer; and the Clerk-Treasurer's bonding company, Hartford Fire Insurance Co.; jointly and severally, in the amount of \$907.02, and in favor of the Village's General Fund.

This matter will be referred to the West Lafayette Village Solicitor for whatever action is deemed appropriate.

Material Weaknesses

FINDING NUMBER 1998-31016-009

Off-Book Project Activity

During 1998 and 1997, the Village accounted for roughly \$85,000 for Burt Park improvements in a "Recreation" Fund checking account that was maintained by a Village Councilman. The financial activity of this project was not maintained within the Village's accounting records nor were the receipt and expenditure transactions approved by Village Council or reflected within Village Council's minutes record. During 1998, Village Council did not appropriate monies for this project. In addition, during 1998 and 1997, the Village accounted for roughly \$3,730,000 for Water Treatment Plant improvements (including two temporary mortgage revenue bond rollovers approximating \$2,200,000) in a separate checking account maintained by the Clerk-Treasurer. The financial activity of this project was not maintained within the Village's accounting records nor were the receipt and expenditure transactions approved by Village Council or reflected within Village Council's minutes record. During both 1998 and 1997, Village Council did not appropriate monies for this project. Finally, during 1997, the Village accounted for bond proceeds totaling \$270,000 for the purchase of a fire truck in a separate checking account that was maintained by a Village Councilman. The financial activity of this project was not maintained within the Village's accounting records nor were the receipt and expenditure transactions approved by Village Council or reflected within Village Council's minutes record. The Clerk-Treasurer did not obtain an Amended Certificate of Estimated Resources for the bond proceeds and Village Council did not authorize supplemental appropriations for this purchase.

As a result, during both 1998 and 1997, the Village's receipt, disbursement and cash balances originally were understated. This hinders Village Council's ability to accurately assess the Village's financial condition.

To improve the Village's internal control over financial reporting, the Village should ensure that all:

- Village accounts are under the fiscal control of the Clerk-Treasurer
- Village accounts are recorded within the cashbook, receipt ledger, appropriation ledger and the monthly bank reconciliation
- Village estimated resources are certified to the Budget Commission on the Amended Certificate of Estimated Resources
- Village funds and projects are appropriated and expenditures are reviewed by Village Council
- Monthly financial statements and bank statements are monitored by Village Council to assess the Village's financial condition.

Material Weaknesses (Continued)

FINDING NUMBER 1998-31016-010

General Account Reconciliations

During review of the Village's monthly bank reconciliations, we noted the following conditions:

- Monthly bank services charges were not recorded on the Village's cashbook for both 1998 and 1997. As a result, the Village's disbursements were understated.
- Checks returned for non-sufficient funds (NSF) for utility payments were not reversed off the books when the bank notice was received. When the check was made good, the Clerk-Treasurer again recorded the check as a receipt causing the receipts to be overstated.
- The monthly bank reconciliations were not inclusive of all the Village's bank accounts. As a result, the Village Council did not receive a complete and accurate account of the Village's financial condition for each month.
- Supporting documentation was not provided to document that bank balances were reconciled to the cashbook balances each month.

Since the Village did not consider all the Village's checking accounts and repurchase agreements, bank service charges, and NSF checks on the monthly reconciliations, the Village accounts were not completely and accurately reconciled each month.

The Clerk-Treasurer should ensure all Village fund/project activity and bank service charges are recorded in the cashbook and reconcile bank balances to the cashbook on a monthly basis. In addition, Village Council should adopt a policy that addresses the recording and collection of NSF checks. Finally, the Clerk-Treasurer should present the bank reconciliations to Finance Committee and Village Council monthly for review and approval.

Reportable Condition

FINDING NUMBER 1998-31016-011

Bid/Contract File Maintenance

The Village did not always maintain bid/contract documentation to support the selection of bidders and awards of contracts subject to competitive bidding procedures. The Village was unable to provide documentation to support the lowest bid for the Phase 1 Water Line Replacement Project. In addition, documentation of the engineers' estimated cost, change order specifications, bid bonds, certifications of non-delinquent taxes, etc., was not maintained by the Village.

The Village should maintain individual files for all construction projects and purchases, specifically those exceeding the statutory bid limit of \$10,000 (\$15,000 effective March 30, 1999). Each file should contain supporting documentation to identify the engineer's estimates and specifications for the project; all contractors submitting bids, non-delinquent tax certifications, bid bonds, explanations for awarding the contract including the lowest, best bidder; change order documentation; and payments made on the project.



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VILLAGE OF WEST LAFAYETTE

COSHOCTON 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
JUNE 6, 2000**