



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF LAFAYETTE
ALLEN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Lafayette
Allen County
P.O. Box 7184
Lafayette, Ohio 45854

To the Village Council:

We have audited the accompanying financial statements of the Village of Lafayette, Allen County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, 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 July 18, 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 18, 2000

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Receipts :			
Property Tax and Other Local Taxes	\$16,938	\$0	\$16,938
Intergovernmental Receipts	20,360	16,087	36,447
Miscellaneous	5,132	533	5,665
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	42,430	16,620	59,050
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,052	0	5,052
Public Health Services	734	0	734
Community Environment	1,850	0	1,850
Transportation	0	16,376	16,376
General Government	18,283	0	18,283
Debt Service	7,869	0	7,869
	<hr/>	<hr/>	<hr/>
Total Disbursements	33,788	16,376	50,164
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	8,642	244	8,886
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Advances-In	0	0	0
Advances-Out	(5,206)	0	(5,206)
Transfers-In	0	4,500	4,500
Transfers-Out	(4,500)	0	(4,500)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(9,706)	4,500	(5,206)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,064)	4,744	3,680
	<hr/>	<hr/>	<hr/>
Fund Cash Balances January 1	11,744	2,301	14,045
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$10,680</u>	<u>\$7,045</u>	<u>\$17,725</u>

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

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>ENTERPRISE</u>
Operating Cash Receipts:	
Charges for Services	\$65,673
Operating Cash Disbursements:	
Personal Services	19,436
Contractual Services	13,720
Supplies and Materials	8,931
Capital Outlay	<u>6,155</u>
Total Operating Cash Disbursements	<u>48,242</u>
Operating Income/(Loss)	<u>17,431</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>22,250</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(4,819)</u>
Advances-In	5,206
Transfers-In	22,850
Transfers-Out	<u>(22,850)</u>
Net Receipts Over/(Under) Disbursements	<u>387</u>
Fund Cash Balances, January 1	<u>36,733</u>
Fund Cash Balances, December 31	<u><u>\$37,120</u></u>

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

**VILLAGE OF LAFAYETTE
ALLEN 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Property Tax and Other Local Taxes	\$17,149	\$0	\$17,149
Intergovernmental Receipts	19,761	11,256	\$31,017
Fines, Licenses, and Permits	7	0	\$7
Miscellaneous	7,347	78	\$7,425
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	44,264	11,334	\$55,598
Cash Disbursements:			
Current:			
Security of Persons and Property	10,132	0	\$10,132
Community Environment	650	0	\$650
Transportation	0	18,232	\$18,232
General Government	18,636	0	\$18,636
Debt Service	8,496	0	\$8,496
Capital Outlay	3,614	0	\$3,614
	<hr/>	<hr/>	<hr/>
Total Disbursements	41,528	18,232	\$59,760
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	2,736	(6,898)	(4,162)
Other Financing Receipts/(Disbursements):			
Transfers-In	0	4,700	\$4,700
Transfers-Out	(4,700)	0	(\$4,700)
Other Sources	3,600	0	\$3,600
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(1,100)	4,700	3,600
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,636	(2,198)	(562)
Fund Cash Balances January 1	<hr/>	<hr/>	<hr/>
	10,108	4,499	\$14,607
Fund Cash Balances, December 31	<hr/> \$11,744 <hr/>	<hr/> \$2,301 <hr/>	<hr/> \$14,045 <hr/>

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

VILLAGE OF LAFAYETTE
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>ENTERPRISE</u>
Operating Cash Receipts:	
Charges for Services	<u>\$60,800</u>
Operating Cash Disbursements:	
Personal Services	18,102
Contractual Services	17,206
Supplies and Materials	4,902
Capital Outlay	<u>3,126</u>
Total Operating Cash Disbursements	<u>43,336</u>
Operating Income/(Loss)	<u>17,464</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>22,650</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>(5,186)</u>
Transfers-In	23,100
Transfers-Out	<u>(23,100)</u>
Net Receipts Over/(Under) Disbursements	<u>(5,186)</u>
Fund Cash Balances, January 1	<u>41,919</u>
Fund Cash Balances, December 31	<u><u>\$36,733</u></u>

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

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lafayette, Allen 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 sewer utilities, park operations (leisure time activities), and police services (local police services were discontinued in 1999). The Village contracts with the Allen County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Cash and Investments

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 Fund

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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:

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

Bond Retirement Fund - Used for the accumulation of resources for retirement of 1980 sewer improvement bond issue.

Bond Reserve Fund - Mandatory reserve fund to help assure prompt and complete payment of the sewer improvement bond issue.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control used, 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 20,845	\$ 16,778
Certificates of deposit	<u>34,000</u>	<u>34,000</u>
Total deposits	\$ 54,845	\$ 50,778

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,858	\$ 42,430	\$ (14,428)
Special Revenue	13,000	21,120	8,120
Enterprise	<u>87,797</u>	<u>93,729</u>	<u>5,932</u>
Total	<u>\$ 157,655</u>	<u>\$ 157,279</u>	<u>\$ (376)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,957	\$ 43,494	\$ 10,463
Special Revenue	22,956	16,376	6,580
Enterprise	<u>100,669</u>	<u>93,342</u>	<u>7,327</u>
Total	<u>\$ 177,582</u>	<u>\$ 153,212</u>	<u>\$ 24,370</u>

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,057	\$ 47,864	\$ (2,193)
Special Revenue	16,693	16,034	(659)
Enterprise	84,664	83,900	(764)
Total	\$ 151,414	\$ 147,798	\$ (3,616)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,349	\$ 46,228	\$ 19,121
Special Revenue	20,928	18,232	2,696
Enterprise	69,856	89,086	(19,230)
Total	\$ 156,133	\$ 153,546	\$ 2,587

Appropriations exceeded estimated revenue in the Street Maintenance and Repair Fund in 1999 and 1998, in violation of Ohio Revised Code Section 5705.39. Actual expenditures exceeded appropriations in the Sewer Fund in 1998, in violation of 5705.41(B). The entity did not use purchase orders as required by Ohio Administrative Code Section 117-5-13.

4. 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 payment, 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.

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 & 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$ 277,000	5%

The First Mortgage Revenue Bonds were issued for the construction of the Sanitary Sewer System. Property and revenue of the utility have been pledged to repay these debts.

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

Year ending December 31:	Mortgage Revenue Bonds
2000	\$ 21,850
2001	22,450
2002	22,000
2003	22,550
2004	22,050
Subsequent	333,900
Total	\$ 444,800

6. RETIREMENT SYSTEMS

Officials and full-time employees of the Village belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, 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, 1999.

7. RISK MANAGEMENT

The Village is a member of the Public Entities Pool of Ohio (PEP). The following risks are covered by the Pool:

- Municipal Property
- Municipal Automobile
- Municipal General Liability
- Public Officials Liability

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

Village of Lafayette
Allen County
P.O. Box 7184
Lafayette, Ohio 45854

To the Village Council:

We have audited the financial statements of the Village of Lafayette (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30202-001, 1999-30202-002, 1999-30202-003, 1999-30202-004, and 1999-30202-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 18, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-30202-006 and 1999-30202-007.

**Internal Control Over Financial Reporting
(Continued)**

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 1999-30202-006 and 1999-30202-007 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 July 18, 2000.

This report is intended for the information and use of the finance committee, 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

July 18, 2000

VILLAGE OF LAFAYETTE
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

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

Finding Number	1999-30202-001
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Purchase Orders

Ohio Administrative Code 117-5-13 states:

- (A) All purchase orders shall be numbered consecutively.
- (B) Each purchase order shall be made in triplicate, with the original given to the vendor. The second copy shall be filed with the village clerk to be used as a posting media to encumber the line-item appropriation. The third copy shall be returned to the individual initiating the purchase order or requisition, as the case may be. This third copy shall serve as a receiving report and be given to the Clerk when the item(s) are received and verified. The third copy of the purchase order shall then be attached to the voucher along with the invoice.
- (C) Each executed purchase order shall provide the date, the appropriation fund code classification, executed clerk's certificate and the other required information. When a blanket certification has been authorized, the purchase order shall indicate the blanket certification, the effective date of the certification, and the amount.

The Clerk did not issue any purchase orders for the expenditures during 1998 and 1999.

In order to effectively monitor the expenditures of the Village, purchase orders should be used as described above and the Clerk should certify (on the purchase order) the availability of funds prior to any purchase.

Finding Number	1999-30202-002
----------------	----------------

Appropriations Limited Estimated Revenue

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village had appropriations exceeding estimated resources for the Street Maintenance and Repair fund, Special Revenue Fund Type, by \$7,655 in 1999. The Village also did not have the certificate from the county auditor on hand indicating that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeding estimated revenues could lead to overspending and ultimately a negative fund balance.

Appropriations from each fund should not exceed estimated resources. The certificate of the county auditor indicating that the total appropriations from each fund do not exceed the total official estimate or amended official estimate should also be obtained from the County Auditor and maintained with the Village files.

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

Finding Number	1999-30203-003
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Actual Expenditures Exceeding Appropriations

Ohio Rev. Code section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 1998, actual expenditures exceeded appropriations for the Sewer Fund by \$19,230.

The following instances were identified where expenditures exceeded appropriations at the legal level of control in 1998:

<p>General Fund:</p> <ul style="list-style-type: none"> - General Government: <ul style="list-style-type: none"> - Clerk's Salary \$ 22 - Land & Buildings <ul style="list-style-type: none"> - Capital Outlay 2,510 	<p>Street Fund:</p> <ul style="list-style-type: none"> - Contracts \$4,465 - Operations & Maintenance 732
<p>Sewer Fund:</p> <ul style="list-style-type: none"> - BPA Clerk's Salary 42 - Plant Operations & Maintenance 3,771 - Contracts 1,504 	

It was also noted that appropriations were posted to the Sewer Fund for Auditor & Treasurer Fees and State Examiners' Fees, but no appropriations were set aside in the appropriation resolution for these accounts. There were no expenditures posted to the Auditor and Treasurer Fees account, but there were expenditures posted to the State Examiners' Fees account.

Expending money before it is appropriated and improper posting of appropriations could lead to overspending and possible deficits. Improper transfers of appropriations could lead to incorrect budgetary information and could also lead to overspending.

Appropriation measures and any modifications should be made on a timely basis and care should be taken to properly post the appropriations and modifications to the ledgers.

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

Finding Number	1999-30202-004
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Maintaining Accurate Journals

Ohio Admin. Code section 117-5-09 (D) states that the total of all fund balances in the cash journal must reconcile with the cash balance; the total of all fund credits must reconcile with the total cash debit; and the total of all fund debits must reconcile with the cash credit. The cash balance plus outstanding warrants must agree with the depository balance plus un-deposited funds, in the hands of the clerk or in transit to the depository. Furthermore, (E) states the date, receipt number, warrant number, purchase order number, and other required information shall be entered in the appropriate column or space provided on the form prescribed in paragraph (F) of this rule.

The Village did not accurately reconcile its cash journal with the bank statements for all months in 1999. In some instances, the cash journal entries lacked a description of the expenditure (or an accurate description), a warrant or receipt number, the date of the entry, and the affect on the estimated receipts or appropriations. Also, entries were made to the cash journals, and not properly posted to the receipt or appropriation ledger.

Lack of accurate records could lead to errors and irregularities that could go undiscovered in the normal course of business.

The Village should provide an accurate description of the entry, a warrant or receipt number, and the date of the entry in all journals. When entries are made to the cash journal, these entries must also be posted to the receipt or appropriation ledger. At the end of each month, the cash journal should balance with the bank, the receipt ledger and the appropriation ledgers.

Finding Number	1999-30202-005
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Bond Ordinance Compliance

Village of Lafayette Bond Ordinance 1979-4 section 8 (c) states that so long as the bonds hereby authorized remain unpaid that Village personnel will maintain complete books and records relating to the operation of the system (a sewage plant was built with the monies provided by the bond sale) and its financial affairs. Village personnel will cause such books and records to be audited annually at the end of each fiscal year and an audit report shall be prepared and the report shall be to the Farmers Home Administration so long as it is holder of any of the Bonds without request, and shall be furnished to any other holder of the Bonds upon written request. Section 8 (f) states that prior to the beginning of each fiscal year the Village will prepare an annual budget of said system for the ensuing fiscal year itemized on the basis of monthly requirements and a copy of such budget shall be mailed without request to the Farmers Home Administration as long as the government is holder of any of the Bonds and upon written request of any other bondholder.

There is no evidence that Village personnel has notified the proper agencies of the requirement for an annual audit or otherwise arranged for such independently. Also, no annual budgets (as referred to above) were prepared and sent to the applicable agency at the beginning of each fiscal year.

Village personnel should maintain a copy of Village Ordinance 1979-4 on file and should comply with all requirements set forth therein.

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

Finding Number	1999-30202-006
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Accounting Records

The Clerk/Treasurer is responsible for all functions relating to the accounting records. Without the proper separation of duties, there is the possibility that errors or irregularities could occur and not be detected in a timely period. There were problems with the presentation of the financial statements, maintenance of the ledgers and journals and reconciling processes which may have been preventable if a process had been in place whereby compensating controls were used to oversee the work of the Clerk/Treasurer.

To strengthen internal accounting and administrative controls, either the Village Council or the finance committee should periodically review the monthly and yearly financial statements to determine that proper procedures are being followed and that the bank reconciliations, cashbook, and ledgers support the statements submitted. To achieve this, the following should be performed but is not limited to:

1. Reconciliation of the bank statement and investments with the cashbook balance to ensure that the amounts correspond. Also, verify that the balance of the cashbook includes all active and invested money under the control of the Village.
2. Review the following month's bank statement to verify that the prior month's reconciling items, such as deposits in transit and outstanding checks, were accurately stated.
3. Review Billing from the retirement systems, payroll withholdings, insurance, utilities, etcetera, to ensure that the obligations of the Village are being paid timely.
4. Verify that month and year-to-date totals are being maintained in the cashbook, receipt, appropriation ledgers, and ensure that they are in agreement.

In addition to performing such a review, the officials' signatures or initials should be affixed to the documents examined, or other evidence should be retained documenting that such reviews were performed. These matters should also be documented in the minutes.

Finding Number	1999-30202-007
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Transfers and Budgetary Amendments

There were various transfers recorded (and approved) in the Council minutes without adequate description. Some of the transfers were budgetary amendments, but appeared to be transfers as recorded in the Council minutes. The Clerk posted some of the budgetary amendments to the receipts and appropriations ledger as if they were actual transfers (and some transfers were treated as if they were budgetary amendments) and as a result carried inaccurate amounts forward to the financial statements.

The lack of proper identification of transfers and/or budgetary amendments could lead to the mis-posting of receipts and disbursements and/or the misappropriation of monies without detection by employees in the normal course of business on a timely basis. All transfers and budgetary amendments should contain an adequate description of the type of transaction and the purpose of the transaction.



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VILLAGE OF LAFAYETTE

ALLEN 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
AUGUST 31, 2000**