



**Auditor of State  
Betty Montgomery**



VILLAGE OF LAFAYETTE  
ALLEN COUNTY

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the Village of Lafayette, Allen County, (the Village), as of and for the years ended December 31, 2003 and 2002. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of States Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed and implemented, and as requested, operates UAN. However, *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and §115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Members of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 6, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$24,766			\$24,766
Intergovernmental Receipts	20,743	\$13,465	\$112,477	146,685
Earnings on Investments	243	13		256
Miscellaneous	4,203			4,203
<b>Total Cash Receipts</b>	<b>49,955</b>	<b>13,478</b>	<b>112,477</b>	<b>175,910</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	5,494			5,494
Public Health Services	812			812
Transportation		14,892		14,892
Community Environment	2,310			2,310
General Government	24,494			24,494
Capital Outlay	18,331		130,277	148,608
Debt Service:				
Payment of Principal	2,819			2,819
Payment of Interest	641			641
<b>Total Cash Disbursements</b>	<b>54,901</b>	<b>14,892</b>	<b>130,277</b>	<b>200,070</b>
<b>Total Receipts Under Disbursements</b>	<b>(4,946)</b>	<b>(1,414)</b>	<b>(17,800)</b>	<b>(24,160)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Note Proceeds			20,000	20,000
Refund of Prior Year Disbursement	14,316	55		14,371
Transfers In		1,000		1,000
Transfers Out	(3,550)			(3,550)
<b>Total Other Financing Receipts/Disbursements</b>	<b>10,766</b>	<b>1,055</b>	<b>20,000</b>	<b>31,821</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,820	(359)	2,200	7,661
Fund Cash Balances, January 1	13,285	2,471		15,756
<b>Fund Cash Balances, December 31</b>	<b>\$19,105</b>	<b>\$2,112</b>	<b>\$2,200</b>	<b>\$23,417</b>

*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, 2003**

	<b>Proprietary Fund Type</b>
	<b>Enterprise Funds</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$69,964
<b>Operating Cash Disbursements:</b>	
Personal Services	19,700
Fringe Benefits	1,256
Contractual Services	10,173
Supplies and Materials	23,526
Capital Outlay	5,640
	60,295
Total Operating Cash Disbursements	60,295
Operating Income	9,669
<b>Non-Operating Cash Receipts</b>	
Refund of Prior Year Expenditures	489
<b>Non-Operating Cash Disbursements</b>	
Debt Service - Principal	(10,000)
Debt Service - Interest	(12,550)
	(22,550)
Total Non-Operating Cash Disbursements	(22,550)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(12,392)
Transfer In	2,550
	(9,842)
Net Receipts Under Disbursements	(9,842)
Fund Cash Balances, January 1	43,618
	43,618
<b>Fund Cash Balances, December 31</b>	<b>\$33,776</b>

*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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$24,768		\$24,768
Intergovernmental Receipts	36,240	\$12,215	48,455
Earnings on Investments	535	27	562
Miscellaneous	2,055		2,055
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	63,598	12,242	75,840
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	14,531		14,531
Transportation		10,867	10,867
Community Environment	1,000		1,000
General Government	25,029		25,029
Capital Outlay	4,514		4,514
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,074	10,867	55,941
Total Receipts Over Disbursements	18,524	1,375	19,899
<b>Other Financing Receipts and (Disbursements):</b>			
Refund of Prior Year Expenditure	658	213	871
Transfers Out	(2,950)		(2,950)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,292)	213	(2,079)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	16,232	1,588	17,820
Fund Cash Balances, January 1	(2,947)	883	(2,064)
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>13,285</b>	<b>2,471</b>	<b>15,756</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$1,017	\$134	\$1,151
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <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, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise Funds</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$81,976
<b>Operating Cash Disbursements:</b>	
Personal Services	22,052
Contractual Services	16,501
Supplies and Materials	24,586
Total Operating Cash Disbursements	63,139
Operating Income	18,837
<b>Non-Operating Cash Receipts</b>	
Refund of Prior Year Expenditures	675
<b>Non-Operating Cash Disbursements</b>	
Debt Service - Principal	(9,500)
Debt Service - Interest	(13,000)
Total Non-Operating Cash Disbursements	(22,500)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(2,988)
Transfer In	2,950
Net Receipts Under Disbursements	(38)
Fund Cash Balances, January 1	43,656
<b>Fund Cash Balances, December 31</b>	<b>43,618</b>
Reserves for Encumbrances, December 31	\$1,564

*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, 2003 AND 2002**

**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, and park operations (leisure time activities). The Village has a mutual aid agreement with the Allen County Sheriff's department to provide security of persons and property. The Lafayette Jackson Volunteer Fire Department provides fire protection and emergency medical services.

In 1985, the Village of Lafayette and Jackson Township entered into an agreement for the construction of a community hall. The Village provided the land and Jackson Township was responsible for the cost of the construction of the building. The Township pays an annual fee of \$1 and provides an office for the Village for the lease of the ground. Jackson Township provides all maintenance and utilities for the community building and pays a monthly sewer charge to the Village.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

Investments are 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.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

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

**VILLAGE OF LAFAYETTE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**2. Special Revenue Fund**

This fund is used to account for proceeds from specific sources 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.

**3. 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 project fund:

**Permanent Improvement Fund** – This fund receives revenue from the Ohio Public Works Commission for storm sewer improvements.

**4. 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** – This fund is used for the accumulation of resources for retirement of the 1980 sewer improvement bond issue.

**Bond Reserve Fund** – This fund is a 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, 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. Unencumbered appropriations lapse at year end.

**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.

**VILLAGE OF LAFAYETTE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated in the subsequent year. The Village did not encumber all of the commitments that were required by Ohio law.

A summary of 2003 and 2002 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.

**2. 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:

	<b>2003</b>	<b>2002</b>
Demand deposits	\$23,193	\$25,374
Certificates of deposit	\$34,000	\$34,000
Total deposits and investments	\$57,193	\$59,374

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$42,652	\$64,271	\$21,619
Special Revenue	12,000	14,533	2,533
Capital Projects	0	132,477	132,477
Enterprise	89,220	73,003	(16,217)
Total	\$143,872	\$284,284	\$140,412

**VILLAGE OF LAFAYETTE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$61,698	\$58,451	\$3,247
Special Revenue	13,081	14,892	(1,811)
Capital Projects	0	130,277	(130,277)
Enterprise	48,905	82,845	(33,940)
Total	<u>\$123,684</u>	<u>\$286,465</u>	<u>(\$162,781)</u>

**2002 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$42,997	\$64,256	\$21,259
Special Revenue	15,000	12,455	(2,545)
Enterprise	77,000	85,601	8,601
Total	<u>\$134,997</u>	<u>\$162,312</u>	<u>\$27,315</u>

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$0	\$49,041	(\$49,041)
Special Revenue	0	11,001	(11,001)
Enterprise	0	87,203	(87,203)
Total	<u>\$0</u>	<u>\$147,245</u>	<u>(\$147,245)</u>

A permanent appropriation ordinance was not adopted for 2002, nor was an appropriation ordinance filed with the County Auditor. Actual expenditures exceeded appropriations in all funds, except the general fund in 2003. Prior certification was not obtained for the obligation of Village funds for 100 percent of the transactions in the years 2003 and 2002.

**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, 2003 AND 2002  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Mortgage Revenue Bonds -	\$241,000	5%
Promissory Note –	17,280	5%
Total	<u>\$258,280</u>	

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. As required by the mortgage revenue bond covenant, the Village has established and funded an enterprise reserve fund. At December 31, 2003, the balance was \$23,728.

During 2003, an unsecured promissory note (line of credit) was obtained in the amount of \$40,000, and \$20,000 had been drawn by the end of 2003. Monthly payments are required, and if a payment is remitted late, the interest rate increases to 8 percent plus a late fee for that particular month.

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

<b>Year ending December 31:</b>	<b>Mortgage Revenue Bonds</b>	<b>Promissory Note</b>
2004	\$22,050	\$9,800
2005	22,550	8,328
2006	22,000	
2007	22,450	
2008	21,850	
Subsequent	245,050	
Total	<u>\$355,950</u>	<u>\$18,128</u>

An Operation and Maintenance Fund had not been established; an annual budget had not been prepared; an annual audit was not conducted and the report filed with the bondholder; nor was monthly payments made into the Debt Service Fund to cover the next interest payment, as required by the debt covenant.

**6. RETIREMENT SYSTEMS**

**Public Employees Retirement System (PERS)**

Village officials and employees belong to 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. PERS members were required to contribute 8.5 percent of their gross salaries, and the Village was required to contribute an amount equal to 13.55 percent of participants' gross salaries. At December 31, 2003, the Village had not remitted the fourth quarter of 2003 employee and employer contributions, in the amounts of \$720 and \$1,148, respectively.

**VILLAGE OF LAFAYETTE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK POOL MEMBERSHIP**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage** - PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage** - PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Village.

**Financial Position** - PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002.

<b>Casualty Coverage</b>	<b>2003</b>	<b>2002</b>
Assets	\$25,288,098	\$20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
<b>Property Coverage</b>	<b>2003</b>	<b>2002</b>
Assets	\$3,158,813	\$2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**8. RELATED PARTY TRANSACTIONS**

Gary Kramer, Clerk/Treasurer, owns Kramer Excavating, and was compensated for various services, including sewer pipe installation and repair and snow removal. During the years 2003 and 2002, the Village paid \$3,835 and \$3,956, respectively, for these services.





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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 Members of Council:

We have audited the accompanying financial statements of the Village of Lafayette, Allen County, (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 6, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village, because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-011. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 6, 2004.

#### **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 2003-012 through 2003-013.

**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 2003-012 and 2003-013 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 August 6, 2004.

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



**Betty Montgomery**  
Auditor of State

August 6, 2004

VILLAGE OF LAFAYETTE  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER – 2003-001

FINDINGS FOR RECOVERY

Compensation of Council Members for meeting attendance was established according to Village Ordinance 02-003 and 03-02 which allowed \$50 per meeting attended to a maximum of 14, and \$25 for a maximum of two missed meetings. One Council Member was compensated in excess of the allowed amounts as follows:

1. Waldo Bennett, Council Member received compensation for two Council meetings in 2002 and one in 2003 that was in excess of the compensation established:

			Amount Per	Amount Per			
Year	Meetings Attended	Meetings Missed	Attended Meeting	Missed Meeting	Eligible Amount	Amount Paid	Amount Overpaid
2002	12	1	\$50	\$25	\$625	\$700	\$75
2003	10	2	50	25	550	600	50
<b>Total Amount Overpaid</b>							<u>\$125</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended, is hereby rendered against, Waldo Bennett, Council Member, in the amount of One-hundred twenty-five dollars (\$125), and in favor of the General Fund.

FINDING NUMBER – 2003-002

Records Destruction

**Ohio Revised Code Section 149.351(A)**, states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The following items had been destroyed, and/or were not retained for audit:

1. The utility sewer billing stubs and the majority of the sewer billing, payment and delinquency ledgers;
2. The January 2002 through August 2002 bank statements and electronic imaging of checks;
3. The January, February, March, May, July, November, and December 2002 payroll computer generated worksheets;
4. The temporary appropriations for 2003 and 2002; the 2002 certificate of estimated resources; and the 2003 Certificate of total amount from all sources available for expenditure;
5. All quarterly Federal Form 941's; the W-3 transmittal reports; and the W-2's for 2003;
6. September 2002 OPERS reports.

**FINDING NUMBER – 2003-002  
(Continued)**

The lack of retaining required utility records could result in loss of revenue if evidence of account activity cannot be verified or the possible diversion of funds to personal use without detection. The absence of the financial records could result in inaccurate reconciliation of records and financial reporting. The lack of budgetary records results in appropriations in excess of estimated resources, improper budgetary presentations because sufficient records are not available to support the amounts reported, and increased audit costs.

A policy should be adopted establishing procedures for the retention of records generated and the manner in which they are to be maintained. Records may be destroyed only after a request for destruction has been submitted to the Records Commission and the appropriate procedures have been addressed.

**FINDING NUMBER – 2003-003**

**Ordinances and Resolutions**

**Ohio Rev. Code Section 731.17(A)**, states that the following procedures shall apply to the passage of ordinances and resolutions of a municipal corporation: 1) Each ordinance and resolution shall be read by title only, provided the legislative authority may require any reading to be in full by a majority vote of its members; 2) Each ordinance and resolution shall be read on three different days, provided the legislative authority may dispense with this rule by a vote of at least three-fourths of its members; 3) the vote on the passage of each ordinance and resolution shall be taken by yeas and nays and entered upon the journal; and 4) Each ordinance and resolution shall be passed, except as otherwise provided by law, by a vote of at least a majority of all members of the legislative authority.

**Ohio Rev. Code Section 731.20**, states that ordinances, resolutions and by-laws shall be authenticated by the signature of the presiding officer and clerk of the legislative authority of the municipal corporation. As soon as an ordinance, resolution or by-law is passed and signed, it shall be recorded by the clerk in a book furnished by the legislative authority for that purpose.

In addition, **Ohio Rev. Code Section 731.21**, requires that each ordinance and resolution, or a succinct summary of each, is required to be published. Also, **Ohio Rev. Code Section 731.25**, states that in municipal corporations in which no newspaper is published, publication of ordinances and resolutions shall be accomplished by posting copies in not less than five of the most public places in the municipal corporation, for a period of not less than fifteen days prior to the effective date thereto, as determined by the legislative authority, or by publication in any newspaper printed in this state and of general circulation in such municipal corporation, once a week for two consecutive weeks. When such publication is by posting, the clerk shall make a certificate as to such posting, and as to the times when and the places where such posting is done, and shall sign his name thereto officially. Such certificate shall be prima-facie evidence that the copies were posted as required.

Further, **Ohio Rev Code Section 731.24**, states that the clerk of the legislative authority, immediately after the expiration of the period of publication, shall enter on the record of ordinances, in a blank to be left for such purpose under the recorded ordinance, a certificate stating in which newspaper and on what dates such publication was made, and shall sign his name thereto officially. Such certificate shall be prima-facie evidence that legal publication was made.

**Ohio Rev. Code Section 731.26**, states that it is a sufficient defense to any suit or prosecution under an ordinance, to show that no publication or posting was made as required by Sections 731.21 to 731.25 of the Ohio Rev. Code.

**FINDING NUMBER – 2003-003  
(Continued)**

There was no evidence presented to support that each ordinance and resolution was: 1) read by title only, or read in full by a majority vote of the legislative authority; 2) read on three different days, or passed as an emergency by a vote of at least three-fourths of the legislative authority; 3) passed on a vote of yeas and nays and entered upon the journal; and 4) passed by a vote of at least a majority of all members of the legislative authority.

All ordinances, resolutions and by-laws had not been authenticated by signatures of the presiding officer and the clerk of the legislative authority. In addition, a meeting was held on November 7, 2002; however, Resolution 02-3 and 02-4 were dated as passed November 13, 2002 and were signed by Council on November 14, 2002. It appears that Resolutions are dated other than Council meeting dates and signed outside Council meetings.

In addition, the prescribed procedures were not followed regarding the required publication and certification of ordinance and resolutions. Further, there was no evidence that the Clerk entered on the record of ordinances, in a blank to be left for such purpose, a certificate stating in which newspaper, or by posting, and on what dates such publication was made, and his official signature.

Failure to pass, authenticate and record ordinances and resolutions in the prescribed method and follow publishing requirements results in ordinances and resolutions that are null and void and not legally enforceable.

The ordinances and resolutions represent the legal policies and procedures enacted by Council and are the laws of the Village, and as such should be properly authenticated, recorded, published, certified and adequately safeguarded. A policy should be adopted establishing procedures in accordance with the Ohio Revised Code, and on the method of retention of these permanent records.

**FINDING NUMBER – 2003-004**

**Appropriations and Estimated Resources**

**Ohio Rev. Code Section 5705.38** states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. In addition, **Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund should not exceed the total estimated revenue, and that 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.

Temporary appropriations were adopted for the years 2003 and 2002; however, there was no evidence that permanent appropriation ordinances had been adopted for either year, although a signed appropriation ordinance had been filed with the County Auditor for the year 2003. For the year 2002, a certificate stating that the total appropriations from each fund do not exceed the total official estimate or amended official estimate could not be issued by the County Auditor. As a result, the appropriation measure was not legally in effect for 2002. Also, unapproved appropriation amounts had been posted to the UAN accounting system without properly executed appropriation amendments. Failure to adopt and sign an appropriation ordinance and file with the County Auditor results in expenditures that are not legally authorized. The possibility also exists that expenditures could be made in excess of available resources, which could lead to deficit spending. In addition, the posting of unapproved amounts to the UAN system could result in expenditures in excess of available resources and deficit balances.

The annual appropriation ordinance should be adopted and filed with the county auditor prior to April 1, of each year, and the required certificate obtained to substantiate that appropriations are legally in effect.

**FINDING NUMBER – 2003-005**

**Expenditures Limited by Appropriations**

**Ohio Revised Code Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, expenditures exceeded appropriations in the following funds:

	<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>2003</b>	Special Revenue	13,081	\$ 14,892	\$( 1,811)
	Capital Projects	0	130,277	(130,277)
	Enterprise	48,905	82,845	( 33,940)
<b>2002</b>	General	0	48,024	( 48,024)
	Special Revenue	0	10,867	( 10,867)
	Enterprise	0	85,639	( 85,639)

An appropriation ordinance was not formally adopted in 2002. Failure to limit expenditures by approved appropriations could result in deficit appropriation spending which could lead to deficit fund balances.

Expenditures should be limited to approved appropriation amounts. When it is anticipated that expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations should be issued and approved by Council.

**FINDING NUMBER – 2003-006**

**Certification of Expenditures**

**Ohio Rev. Code Section 5705.41 (D)** states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant (“Then and Now”). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district. Amounts of less than \$1,000 (\$3,000 after April 7, 2003), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Prior certification was not obtained for the expenditure of Village funds for 100 percent of the transactions during the audit period. In addition, these expenditures did not have either Council or the Board of Public Affairs signatures’ giving authorization for the obligation of funds. The lack of proper certifications could result in the obligation of funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations.

Purchase orders, as a certifying medium, should be prepared before vendor invoice dates (unless there is then and now certification), printed off of the Uniform Accounting Network system, and certified by the Clerk and signed by Council. The Village should establish procedures for obtaining certification prior to incurring an obligation, and/or for subsequent certification and approval as provided by the exception noted above.

### FINDING NUMBER - 2003-007

#### State Income Tax

**Ohio Rev. Section 5747.07(B)(4)**, requires every employer to deduct and withhold income tax from wages in the amount required by Section 5747.06 of the Revised Code and each employer shall file a return and shall pay the amount required by law. The employer shall make the payment of undeposited taxes for each calendar quarter no later than the last day of the month following the last day of March, June, September and December each year.

The employees/officials had state tax withheld from their wages, and although the W-2's indicated that the tax had been withheld, there was no evidence that the deductions had been remitted to the State.

Failure to file the required forms and remit the required amounts could result in additional penalties and interest charges. State tax should be remitted in a timely manner. The Village should also consult with the Ohio Department of Taxation regarding the filings of the delinquent State Tax and develop a course of action to rectify the situation.

### FINDING NUMBER 2003-008

#### W-2 Forms

**Internal Revenue Regulation 26 CFR §1.6041-2** provides that wages as defined in 26 United States Code §3401 are to be reported on form W-2 or "all other payments of compensation" are to be reported on a form 1099. 26 United States Code §3402 states "...every employer making payment of wages shall deduct and withhold upon such wages as determined in accordance with the tables of computation procedures prescribed by the Secretary of Treasury.

The following problems were noted with the W-2's presented for 2002:

- W-2 forms were not properly completed for four employees, six Council and three Board of Public Affairs members. Two W-2 forms indicated Federal Tax had been withheld, and an official and an employee also had Federal Tax withheld, but the tax was not reported on the W-2 form.
- Twelve employees/officials had Medicare withheld from their monthly check and their W-2 form did not indicate that Medicare was withheld.
- Thirteen employees/officials had State Tax withheld and the W-2's indicated State Tax had been withheld, but there was no evidence that the deductions had been remitted to the State.
- Twelve employees/officials W-2 forms did not agree with the amount they were actually paid.
- There were no W-2 forms provided for 2003 and it could not be determined if they had been filed.
- In addition, the Village had not complied with the United States Code of Federal Regulations for completion of the W-2 forms during the prior four years.

Inaccurate reporting of wages and deductions could lead to liabilities incurred in the form of future liabilities including interest and late fees. The W-2 forms prepared should correctly reflect wages earned by the employees, and should also properly reflect the deductions withheld. The deductions and required employer shares should be timely remitted to the applicable agency.

#### **FINDING NUMBER 2003-009**

##### **Remittance of Federal and Medicare Taxes**

**Circular E, Publication 15** requires that Federal and Medicare taxes withheld from employee compensation be remitted by electronic transfer, mailing or delivering a check, money order, or cash, to a financial institution that is an authorized depository for Federal taxes, according to either a monthly or semi-monthly schedule as determined at the beginning of each calendar year based on the tax liability reported on Form 941 during a four quarter look-back period.

A review of the outstanding check lists for 2002, disclosed that the checks issued to the local financial institution for the Internal Revenue Service (IRS), for the remittance of Federal and Medicare taxes had not been redeemed and were canceled in December of 2003. In addition, the checks issued in 2001 to the bank for taxes were canceled in December 2002. Also, there was no evidence of the quarterly Forms 941 being filed. It appears checks were written and held and then voided prior to the end of the following year.

Further, an account had not been established at a financial institution to deposit the Federal and Medicare tax withholdings until the year 2003 when the UAN payroll system was utilized.

The lack of remitting the required taxes timely could result in a substantial tax liability and penalties and interest being assessed and owed by the Village. The Village officials should contact the IRS and rectify the 2001, 2002, and 2003 tax issues. Village officials should also monitor the required tax payments to ensure that they are remitted timely.

#### **FINDING NUMBER 2003-010**

##### **Form 1099**

**Internal Revenue Regulation 26 CFR, Section 1.6041-1**, requires governments to report on Form 1099 salaries, wages, commissions, fees and other forms of compensation for services rendered aggregating \$600 or more.

Several independent contractors performed services in excess of the \$600, and there was no evidence that the required 1099 forms were issued. Kramer Excavating owned by Gary Kramer, Clerk/Treasurer, was paid \$3,956 in 2002, \$3,835 in 2003, which represented six and four percent respectively of the Sewer Operating Fund expenditures, three percent of the Street Construction Fund expenditures, and one percent of general fund expenditures.

At year end, all payments made to independent vendors should be reviewed to determine if the issuance of a 1099 form is required.



**FINDING NUMBER 2003-011**

**Bond Ordinance Compliance**

**Bond Ordinance 1979-4 Section 8(c)** states that as long as the authorized bonds remain unpaid, that complete books and records will be maintained relating to the operation of the system and its financial affairs (a sewage plant was built with the monies provided by the bond sale). Such books and records are to be audited annually at the end of each fiscal year and an audit report shall be prepared and shall be submitted to the Farmers Home Administration as 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.

In addition a transfer of funds is required each month from the Sewer Revenue Fund Account to an Operation and Maintenance Fund Account. The amount of the transfers should be sufficient to pay the reasonable and necessary current expenses for operating and maintaining a Sanitary Sewer System. Also, transfers equal to 1/12 of the next interest payment is required to be made into the Sewer Debt Service Fund in order to cover the interest payment.

There was no evidence that an annual audit was performed of the sewer accounts and an audit report submitted to the proper agency, or that an annual budget was prepared and sent to the applicable agency. In addition, an Operation and Maintenance Fund has not been established, nor had funds been transferred, to pay the current expenses of operating and maintaining the Village's sanitary sewer system. During 2002, the required monthly payments were not made into the Debt Service Fund to cover the next interest payment.

A copy of the bond covenant and Village Ordinance 1979-4 should be maintained on file and the requirements added to a tickler file in order to comply with all requirements set forth therein. In addition, the required Operation and Maintenance Fund should be established, and the monthly amount necessary to pay the current operating and maintenance costs for the sanitary sewer system determined and transferred.

**FINDING NUMBER - 2003-012**

**Monitoring of Monthly Financial Reports**

Financial reports submitted to Council and the Board of Public Affairs (BPA) did not include the Revenue Status Report or the Expenditure Status Report. The estimated revenue amounts from the Certificate of Estimated Resources were not accurately posted to the accounting system. Although Council did not pass a permanent appropriation resolution during 2002 appropriations were posted to the system. The amounts posted were incorrect and therefore the status reports did not provide accurate information.

Receiving incomplete and/or inaccurate financial information could result in the Council and/or the BPA obligating funds that are not available, or making decisions based on inaccurate data. Also, the failure by Council and BPA to properly monitor the revenue and expenditure status reports on a monthly basis could result in misappropriation of revenues and unauthorized expenditures without timely detection. The lack of proper and correct financial information impedes the ability of officials to act responsibly in conducting Village affairs.

**FINDING NUMBER - 2003-012  
(Continued)**

Council should monitor the monthly revenue and expenditure status reports (budget versus actual) timely to ensure the Village is operating effectively. Council should also verify that these reports and the related budgetary documents approved by Council are in agreement. Council and BPA should initial and date the reports as proof of their review. Council should be aware on a continuing basis of the financial position of the Village in order to make informed decisions.

**FINDING NUMBER – 2003-013**

**Segregation of Duties and Maintenance of Sewer Records**

In an entity the size of the Village it is usually not cost effective to employ the basic internal controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The Village Clerk is responsible for preparing the sewer bills, posting the billing and payment registers, collecting and preparing the collections for deposit.

For the audit period, the sewer records were incomplete and were not provided for audit. There was no indication that the utility stubs had been reconciled with the deposits, or that a monthly reconciliation was performed between the cash journal/receipt ledger and the amount posted to the sewer registers. There were no hard copies of the monthly sewer registers generated to provide a complete record of utility billings and collections. Alternate procedures were necessary to audit the sewer revenue.

The sewer billings are accumulated into the categories of residential, commercial, and other categories. In several months, the commercial billing amounts were accumulating into the residential billing amount category and for several months the duplex customers billings were partially accumulating into the residential category and partially into the other category.

When one person performs incompatible functions, the possibility of errors or irregularities occurring without detection in the normal course of business operations is increased. The lack of complete records and untimely deposits could also result in the misappropriation of funds without detection. The accumulation of billings into improper categories could result in Council and Board of Public Affairs misunderstanding the amount to be collected from those accounts.

A policy should be adopted establishing adequate accounting and administrative control procedures, including the requirement of a periodic review to determine that the adopted procedures are being followed: The policy should require that a hard copy of the monthly utility registers be generated and maintained in chronological order. This will allow the status of each account to be followed from one month to the next. Sewer collections should be reconciled with the utility stubs and timely deposits made. The stubs that comprise each deposit should be bound and marked with the date collected and deposited. The copies of the deposit slips and the utility stubs should then be filed together to support the dates the amounts were posted to the utility registers. This will allow reconciliations to be performed and deposits to be agreed to a specific period. A monthly reconciliation should be performed between the cash/receipt journals and the sewer payment register. Periodically, a review should be performed of the account categories to ensure billings and receipts are accumulating into the correct category.

The Board of Public Affairs should review the reports generated at the monthly meetings to verify the accuracy of the amounts posted to the receipts journal, and to determine that the monthly amounts collected and deposited are consistent, and if not, variances should be investigated.

**VILLAGE OF LAFAYETTE  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2001-001	ORC 5705.14 - Transfers	No	Repeated in the Management Letter
2001-002	ORC 149.351 (A) – Records Destruction	No	Repeated as 2003-002
2001-003	ORC 731.17 (A) – Ordinances and Resolutions	No	Repeated as 2003-003
2001-004	ORC 731.20 – Authentication of Ordinances and Resolutions	No	Repeated as 2003-003
2001-005	ORC 731.21 – Publication and Certification of Ordinances and Resolutions	No	Repeated as 2003-003
2001-006	ORC 733.28 – Accurate Records /Reconciliation	Partially	Repeated in the Management Letter
2001-007	ORC 733.69 – Surety Bonds	Yes	
2001-008	ORC 5705.10 – Negative Fund Balances	Yes	
2001-009	ORC 5705.38 - Approval of Permanent Appropriations	No	Repeated as 2003-004
2001-010	ORC 5705.39 – Appropriations Limited by Estimated Revenue	No	Repeated as 2003-004
2001-011	ORC 5705.41(B) – Expenditures Limited by Appropriations	No	Repeated as 2003-005
2001-012	ORC 5705.41(D) – Prior Certification	No	Repeated as 2003-006
2001-013	Bond Covenant Compliance	No	Repeated as 2003-011
2001-014	Bank to Book Reconciliations	Yes	
2001-015	Monitoring of Financial Reports	No	Repeated as 2003-012
2001-016	Segregation of Duties-Utilities	No	Repeated as 2003-013
2001-017	Deposit of Public Money	Partially	Repeated in the Management Letter





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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  
SEPTEMBER 21, 2004**