



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LAFAYETTE
ALLEN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Village of Lafayette
Allen County
PO Box 7184
225 E. Sugar Street
Lafayette, Ohio 45854

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lafayette, Allen County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Lafayette, Allen County, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 6, 2019

VILLAGE OF LAFAYETTE, ALLEN COUNTY

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
 For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$31,217	\$2,516	\$33,733
Intergovernmental	17,930	12,149	30,079
Miscellaneous	3,053	1,175	4,228
<i>Total Cash Receipts</i>	<u>52,200</u>	<u>15,840</u>	<u>68,040</u>
Cash Disbursements			
Current:			
Security of Persons and Property	20,148		20,148
Basic Utility Services		2,338	2,338
Transportation		12,213	12,213
General Government	35,673	602	36,275
Capital Outlay		2,401	2,401
Debt Service:			
Principal Retirement	2,364		2,364
Interest and Fiscal Charges	275		275
<i>Total Cash Disbursements</i>	<u>58,460</u>	<u>17,554</u>	<u>76,014</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(6,260)</u>	<u>(1,714)</u>	<u>(7,974)</u>
Other Financing Receipts (Disbursements)			
Transfers In		5,000	5,000
Transfers Out	(5,000)		(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(11,260)	3,286	(7,974)
<i>Fund Cash Balances, January 1</i>	<u>47,570</u>	<u>3,373</u>	<u>50,943</u>
Fund Cash Balances, December 31			
Restricted		6,659	6,659
Assigned	440		440
Unassigned	35,870		35,870
<i>Fund Cash Balances, December 31</i>	<u>\$36,310</u>	<u>\$6,659</u>	<u>\$42,969</u>

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

VILLAGE OF LAFAYETTE, ALLEN COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)
Proprietary Fund Type**

For the Year Ended December 31, 2017

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$182,254</u>
Operating Cash Disbursements	
Personal Services	107,804
Fringe Benefits	3,352
Contractual Services	50,304
Supplies and Materials	11,540
<i>Total Operating Cash Disbursements</i>	<u>173,000</u>
<i>Operating Income</i>	<u>9,254</u>
Non-Operating (Disbursements)	
Intergovernmental	490,000
OWDA Debt Proceeds	758,691
Capital Outlay	(1,230,901)
Principal Retirement	(30,527)
Interest and Other Fiscal Charges	<u>(6,169)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(18,906)</u>
<i>Net Change in Fund Cash Balances</i>	(9,652)
<i>Fund Cash Balances, January 1:</i>	<u>158,634</u>
<i>Fund Cash Balances, December 31:</i>	<u><u>\$148,982</u></u>

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

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Lafayette, Allen County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance, and sewer utilities. The Village contracts 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.

The Village participates in a public entity risk pool which is described in Note 6 to the financial statements. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary funds.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following Special Revenue Fund:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Funds - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Enterprise Improvement Fund – This fund receives grant money and debt proceeds for waste water treatment plant improvements.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits

The Village maintains its deposits in a checking account.

Capital Assets

The Village records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,527	\$52,200	(\$12,327)
Special Revenue	19,900	20,840	940
Enterprise	1,699,151	1,430,945	(268,206)
Total	\$1,783,578	\$1,503,985	(\$279,593)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,723	\$63,900	\$49,823
Special Revenue	20,727	17,554	3,173
Enterprise	1,847,493	1,440,597	406,896
Total	\$1,981,943	\$1,522,051	\$459,892

Some restricted receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(D).

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 - Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand deposits	\$191,951
Total deposits	\$191,951

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Risk Management (Continued)

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP \$5,562
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees and some elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

Some of the Village's elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 - Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$41,500	5%
Ohio Water Development Authority Loan #7593	806,103	0%
Ohio Water Development Authority Loan #7079	29,058	1.3%
Ohio Water Development Authority Loan #6912	46,902	7.8%
Ohio Water Development Authority Loan #4143	44,164	5.06%
Ohio Public Works Commission Loan #CM10R	13,398	0%
Bank Loan	12,796	4%
Total	<u>\$993,921</u>	

The USDA Sewer Mortgage Revenue Bonds were issued for the construction of the Sanitary Sewer system. Property and revenue of the utility have been pledged to repay this debt. Annual payments are made from the Enterprise Debt Service Fund. As required by the mortgage revenue bond covenant, the Village has established and funded an enterprise reserve fund. At December 31, 2017, the balance of the reserve fund was \$8,596.

The Ohio Water Development Authority (OWDA) Loan 7593 was approved February 27, 2017 for waste water treatment plant improvements mandated by the Ohio Environmental Protection Agency. The approved loan amount of \$1,036,151 has not been fully disbursed and no amortization schedule is available since the project is not complete as of December 31, 2017. During 2017, \$65,202 was transferred to the balance of this loan from OWDA Loan 7122 in order to pay off loan 7122. The loan will be re-paid in semi-annual principal payments from the Enterprise Sewer Debt Service Fund and mature in 2048.

The Ohio Water Development Authority (OWDA) Loan 7079 was approved August 27, 2015 for waste water treatment plant improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$45,190 is to be re-paid in semi-annual principal and interest payments from the Enterprise Sewer Debt Service Fund and matures in 2045. The project has not been completed, so therefore no amortization schedule is available.

The Ohio Water Development Authority (OWDA) Loan 6912 was approved February 26, 2015 for sewage pump station improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$50,688 is to be re-paid in semi-annual principal and interest payments from the Enterprise Sewer Debt Service Fund and matures in 2045.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt (Continued)

The Ohio Water Development Authority (OWDA) Loan 4143 was approved August 26, 2004 for waste water treatment plant improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$100,626 is to be re-paid in semi-annual principal and interest payments from the Enterprise Sewer Debt Service Fund and matures in 2024.

During 2015, the Village entered into loan agreement CM10R with the Ohio Public Works Commission for waste water treatment plan raw sewage pump station improvements. The loan was in the amount \$15,312 and is to be re-paid in semi-annual principal payments with a maturity in 2035. This debt is being repaid from the Enterprise Sewer Debt Service Fund.

During 2015, the Village entered into loan agreement with the Liberty National Bank to finance the purchase of a tractor. The loan was in the amount \$26,000 and is to be re-paid in monthly principal and interest payments with a maturity in 2020. This debt is being repaid from the General Fund and Enterprise Sewer Debt Service Fund.

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue Bonds	OWDA Loan 6912	OWDA Loan 4143	OPWC Loan CM10R	Bank Loan
2018		\$1,898	\$7,605	\$766	\$5,757
2019	22,075	1,898	7,668	766	5,757
2020	22,575	1,898	7,735	766	1,919
2021		1,898	7,805	766	
2022		1,898	7,878	766	
2023-2027		9,490	11,964	3,830	
2028-2032		9,490		3,830	
2033-2037		9,490		1,908	
2038-2042		9,490			
2043-2045		4,745			
Total	\$44,650	\$52,195	\$50,655	\$13,398	\$13,433

Note 10 – Construction and Contractual Commitments

The Village is currently in an ongoing Sewer Plan Improvement Project as required by the Environmental Protection Agency (EPA).

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VILLAGE OF LAFAYETTE, ALLEN COUNTY

**Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$29,522	\$2,333	\$31,855
Intergovernmental	19,069	12,070	31,139
Miscellaneous	150	574	724
<i>Total Cash Receipts</i>	<u>48,741</u>	<u>14,977</u>	<u>63,718</u>
Cash Disbursements			
Current:			
Security of Persons and Property	12,325		12,325
Basic Utility Services		2,192	2,192
Transportation		11,717	11,717
General Government	34,780	227	35,007
Capital Outlay		3,360	3,360
Debt Service:			
Principal Retirement	2,680		2,680
Interest and Fiscal Charges	438		438
<i>Total Cash Disbursements</i>	<u>50,223</u>	<u>17,496</u>	<u>67,719</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(1,482)</u>	<u>(2,519)</u>	<u>(4,001)</u>
Other Financing Receipts (Disbursements)			
Transfers In		3,000	3,000
Transfers Out	(3,000)		(3,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,000)</u>	<u>3,000</u>	<u>-</u>
Net Change in Fund Cash Balances	(4,482)	481	(4,001)
<i>Fund Cash Balances, January 1</i>	<u>52,052</u>	<u>2,892</u>	<u>54,944</u>
Fund Cash Balances, December 31			
Restricted		3,373	3,373
Assigned	47,570		47,570
<i>Fund Cash Balances, December 31</i>	<u>\$47,570</u>	<u>\$3,373</u>	<u>\$50,943</u>

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

VILLAGE OF LAFAYETTE, ALLEN COUNTY

Combined Statement of Receipts, Disbursements, and Change in Fund Balances (Cash Basis)
Proprietary Fund Type
 For the Year Ended December 31, 2016

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$168,517</u>
Operating Cash Disbursements	
Personal Services	87,559
Fringe Benefits	3,304
Contractual Services	54,314
Supplies and Materials	9,982
<i>Total Operating Cash Disbursements</i>	<u>155,159</u>
<i>Operating Income</i>	<u>13,358</u>
Non-Operating Receipts (Disbursements)	
OWDA Debt Proceeds	87,792
Capital Outlay	(14,000)
Principal Retirement	(37,660)
Interest and Other Fiscal Charges	(7,186)
Other Financing Uses	(400)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>28,546</u>
Net Change in Fund Cash Balances	41,904
<i>Fund Cash Balances, January 1</i>	<u>116,730</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$158,634</u></u>

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

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Lafayette, Allen County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance, and sewer utilities. The Village contracts 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.

The Village participates in a public entity risk pool which is described in Note 6 to the financial statements. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following Special Revenue Fund:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Enterprise Funds - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following Enterprise Fund:

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer service cost.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits

The Village maintains its deposits in a checking account.

Capital Assets

The Village records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,626	\$48,741	(\$12,885)
Special Revenue	18,000	17,977	(23)
Enterprise	255,000	256,309	1,309
Total	\$334,626	\$323,027	(\$11,599)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,988	\$53,223	\$59,765
Special Revenue	20,518	17,496	3,022
Enterprise	333,238	214,405	118,833
Total	\$466,744	\$285,124	\$181,620

Some restricted receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(D).

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 - Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand deposits	<u>\$209,577</u>
Total deposits	<u>\$209,577</u>

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Risk Management (Continued)

	2016
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	\$28,785,581

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2016 Contributions to PEP \$4,989
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees and some elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Some elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 8 – Post-employment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$60,500	5%
Ohio Water Development Authority Loan #7122	\$65,202	0%
Ohio Water Development Authority Loan #7079	\$12,556	1.3%
Ohio Water Development Authority Loan #6912	\$48,425	7.8%
Ohio Water Development Authority Loan #4143	\$49,773	5.06%
Ohio Public Works Commission Loan #CM10R	\$14,163	0%
Bank Loan	17,502	4%
Total	\$268,121	

The USDA Sewer Mortgage Revenue Bonds were issued for the construction of the Sanitary Sewer system. Property and revenue of the utility have been pledged to repay this debt. Annual payments are made from the Enterprise Debt Service Fund. As required by the mortgage revenue bond covenant, the Village has established and funded an enterprise reserve fund. At December 31, 2016, the balance of the reserve fund was \$8,596.

The Ohio Water Development Authority (OWDA) Loan 7122 was approved September 24, 2015 for waste water treatment plant improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$73,792 was to be re-paid in semi-annual principal payments from the Enterprise Sewer Debt Service Fund and mature in 2021. However, during 2017, the principal balance of this loan, \$65,202, was transferred to OWDA Loan 7593.

The Ohio Water Development Authority (OWDA) Loan 7079 was approved August 27, 2015 for waste water treatment plant improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$45,190 is to be re-paid in semi-annual principal and interest payments from the Enterprise Sewer Debt Service Fund and matures in 2045. The project has not been completed, so therefore no amortization schedule is available.

The Ohio Water Development Authority (OWDA) Loan 6912 was approved February 26, 2015 for sewage pump station improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$50,688 is to be re-paid in semi-annual principal and interest payments from the Enterprise Sewer Debt Service Fund and matures in 2045.

The Ohio Water Development Authority (OWDA) Loan 4143 was approved August 26 ,2004 for waste water treatment plant improvements mandated by the Ohio Environmental Protection Agency. The loan in the amount of \$100,626 is to be re-paid in semi-annual principal and interest payments from the Enterprise Sewer Debt Service Fund and matures in 2024.

Village of Lafayette, Ohio
Allen County

Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt (Continued)

During 2015, the Village entered into loan agreement CM10R with the Ohio Public Works Commission for waste water treatment plan raw sewage pump station improvements. The loan was in the amount \$15,312 and is to be re-paid in semi-annual principal payments with a maturity in 2035. This debt is being repaid from the Enterprise Sewer Debt Service Fund.

During 2015, the Village entered into loan agreement with the Liberty National Bank to finance the purchase of a tractor. The loan was in the amount \$26,000 and is to be re-paid in monthly principal and interest payments with a maturity in 2020. This debt is being repaid from the General Fund and Enterprise Sewer Debt Service Fund.

Amortization

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

Year Ending December 31:	USDA Mortgage Revenue Bonds	OWDA Loan 6912	OWDA Loan 4143	OPWC Loan CM10R	Bank Loan
2017	\$22,025	\$1,898	\$7,545	\$766	\$5,757
2018	22,075	1,898	7,604	766	5,757
2019	22,575	1,898	7,668	766	5,757
2020		1,898	7,735	766	1,919
2021		1,898	7,805	766	
2022-2026		9,490	19,836	3,830	
2027-2031		9,490		3,830	
2032-2036		9,490		2,673	
2037-2041		9,490			
2042-2045		8,541			
Total	\$66,675	\$55,991	\$58,193	\$14,163	\$19,190

Note 10 – Construction and Contractual Commitments

The Village is currently in an ongoing Sewer Plan Improvement Project as required by the Environmental Protection Agency (EPA).

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Lafayette
Allen County
PO Box 7184
225 E. Sugar Street
Lafayette, Ohio 45854

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Lafayette, Allen County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 6, 2019

**VILLAGE OF LAFAYETTE
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified in the accounting records and/or financial statements for 2017:

- General Fund homestead and rollback reimbursements in the amount of \$5,009 were classified as property tax receipts instead of as intergovernmental receipts;
- The entire General Fund balance at December 31, 2017 was classified as assigned fund balance. General Fund year-end encumbrances in the amount of \$440 were the only portion of the balance which should have been classified as assigned. The remaining balance in the General Fund, in the amount of \$35,870, should have been unassigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 17 (GASB Codification 1800.177) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund;
- The Special Revenue Street Construction, Maintenance & Repair Fund balance in the amount of \$682 was classified as assigned fund balance instead of restricted. Funding resources for this Fund consist of gasoline taxes and state and local highway distributions for which the use is restricted to the construction, maintenance and repair of streets. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 8 (GASB Codification 1800.168) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by grantors;
- Community Development Block Grant (CDBG) proceeds for a sewer system improvement project in the amount of \$490,000 were recorded as charges for services receipts in the enterprise sewer operating fund instead of as intergovernmental receipts in an Enterprise Capital Improvement Fund. The related project disbursements were also recorded in the Enterprise Sewer Operating Fund instead of in an Enterprise Capital Improvement Fund;
- Ohio Water Development Authority (OWDA) loan proceeds for a sewer system improvement project in the amount of \$758,691 were recorded as charges for services receipts in the Enterprise Sewer Operating Fund instead of as intergovernmental receipts in an Enterprise Capital Improvement Fund. The related project disbursements were also recorded in the Enterprise Sewer operating fund instead of in an enterprise capital improvement fund;
- Charges for services receipts allocated to Enterprise Debt Service Funds in the amount of \$38,809 were recorded as special assessment receipts; and
- Enterprise fund principal payments on the USDA loan in the amount of \$19,000 were recorded as interest payments instead of principal payments.

FINDING NUMBER 2017-001
(Continued)

The following errors were identified in the accounting records and/or financial statements for 2016:

- General Fund homestead and rollback receipts in the amount of \$5,152 were classified as property tax receipts instead of intergovernmental receipts;
- Property tax receipts for the first half settlement were recorded in the net amount of \$15,114 instead of the gross amount of \$16,104. An adjustment was made to increase general fund property tax receipts by \$990 and to record the related tax collection fees in the amount of \$990 as disbursements;
- The Special Revenue Street Construction, Maintenance & Repair Fund balance in the amount of \$1,311 was classified as assigned fund balance instead of restricted. Funding resources for this Fund consist of gasoline taxes and state and local highway distributions for which the use is restricted to the construction, maintenance and repair of streets. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 8 (GASB Codification 1800.168) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by grantors;
- Ohio Water Development Authority (OWDA) loan proceeds for a sewer system improvement project in the amount of \$73,792 were recorded as charges for services receipts in the enterprise sewer operating fund instead of as intergovernmental receipts in an enterprise capital improvement fund;
- Charges for services receipts allocated to Enterprise Debt Service Funds in the amount of \$36,925 were recorded as special assessment receipts;
- Principal payments on the USDA loan in the amount of \$18,000 were recorded as interest payments instead of principal payments in the Enterprise Debt Service Fund; and
- OWDA loan proceeds and the related capital outlay disbursements made by OWDA on behalf of the Village (OWDA loan #7079) were not recorded by the Village.

The accompanying financial statements, and where necessary, the accounting records have been adjusted to correct these recording errors.

The notes to the financial statements required revision to update the significant fund disclosure, to disclose the public entity insurance pool, and to update the debt disclosures.

The failure to correctly classify financial activity in the accounting system and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions, and result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner.

The errors identified should be reviewed by the Fiscal Officer to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in recording financial activity. Council should periodically review the accounting records and review the year-end financial statements and notes to the financial statements to help identify and correct errors in a timely manner.

FINDING NUMBER 2017-002

Material Weakness / Noncompliance Citation

Ohio Rev. Code § 5705.10(D) states, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

In 2017 and 2016, State and Local Highway Distributions, in the amounts of \$3,915 and \$2,062, respectively, were recorded in the General Fund instead of the Special Revenue Street Construction Maintenance & Repair Fund.

Recording restricted receipts in the wrong fund increases the risk of the illegal spending of those receipts and reduces the available resources needed to meet obligations of the intended fund.

The accounting records and the accompanying financial statements have been adjusted to correct these recording errors.

A periodic review of the accounting records should be performed by Council to help identify receipt recording errors.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

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OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 5, 2019**