



**Auditor of State
Betty Montgomery**

LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY

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**Auditor of State
Betty Montgomery**

Lafayette Township
Coshocton County
654 East Russell Avenue
West Lafayette, Ohio 43845

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements for the year ended December 31, 2004 due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 28, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lafayette Township
Coshocton County
654 East Russell Avenue
West Lafayette, Ohio 43845

To the Board of Trustees:

We have audited the accompanying financial statements of Lafayette Township, Coshocton County, Ohio, (the Township) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Township'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 Township processes its financial transactions with 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 audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, 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 Lafayette Township, Coshocton County, Ohio, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006, on our consideration of the Township'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

June 28, 2006

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$71,447	\$45,929	\$117,376
Intergovernmental	25,403	91,362	116,765
Licenses, Permits, and Fees		23,755	23,755
Earnings on Investments	458	37	495
Other Revenue	414		414
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	97,722	161,083	258,805
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	80,212		80,212
Public Safety		6,856	6,856
Public Works	1,035	77,265	78,300
Health	5,464	29,743	35,207
Debt Service:			
Redemption of Principal		7,000	7,000
Interest and Fiscal Charges		338	338
Capital Outlay		11,501	11,501
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	86,711	132,703	219,414
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	11,011	28,380	39,391
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	11,110	55,398	66,508
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$22,121</u>	<u>\$83,778</u>	<u>\$105,899</u>

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

LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY

STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

Operating Cash Receipts:	
Interest	\$232
Fund Cash Balances, January 1	<u>14,552</u>
Fund Cash Balances, December 31	<u><u>\$14,784</u></u>

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

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Lafayette Township, Coshocoton County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and emergency medical services. The Township contracts with the Village of West Lafayette to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund – This fund receives state motor vehicle license tax money for the construction, repair and maintenance of Township roads and bridges.

Cemetery Fund – This fund receives fees from customers purchasing cemetery lots and paying for burials or cremations.

3. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Cemetery Bequest Fund – This Non-Expendable Trust Fund is used to record the donations from individuals and interest received from the related certificate of deposit.

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Demand deposits	\$107,433
Certificates of deposit	13,250
Total deposits	\$120,683

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,909	\$97,722	(\$7,813)
Special Revenue	149,954	161,083	(11,129)
Fiduciary	100	232	(132)
Total	\$239,963	\$259,037	(\$19,074)

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,711	\$86,711	\$0
Special Revenue	191,982	132,703	59,279
Fiduciary	750	0	750
Total	\$279,443	\$219,414	\$60,029

4. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.38, the 2004 permanent Appropriation Measure was not approved until March 2004. Additionally, a temporary Appropriation Measure was not passed to meet ordinary expenses until a permanent Appropriation Measure could be passed.

Contrary to Ohio Revised Code Section 5705.40, appropriations were amended without Township Trustee approval.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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 Township.

6. RETIREMENT SYSTEM

The Township's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

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

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

Financial Position

OTARMA'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, 2004 and 2003:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

The Casualty Coverage assets and retained earnings above include approximately \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2004. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,024.

8. RELATED PARTY TRANSACTION

Current Trustee, Richard Bluck (term began January 1, 2004) is part-owner of Bluck & Sons, a local business owned primarily by Richard Bluck's father. During 2004, Lafayette Township engaged in periodic business with Bluck & Sons. The Township paid Bluck & Sons \$3,984 for various materials and supplies. Check payments to Bluck & Sons during 2004 were signed by the Trustees, including Mr. Bluck. Additionally, the minute records document Mr. Bluck did not abstain from approving monthly bills, which included payments to Bluck & Sons. As a result, Mr. Bluck did not exercise the option of eliminating the use of his authority or influence of office to secure personal gain through the business in which he is part-owner.



**Auditor of State
Betty Montgomery**

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

Lafayette Township
Coshocton County
654 East Russell Avenue
West Lafayette, Ohio 43845

To the Board of Trustees:

We have audited the financial statements of Lafayette Township, Coshocton County, Ohio, (the Township) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 28, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Government uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2004-005.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

In a separate letter to the Township's management dated June 28, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-004.

In a separate letter to the Township's management dated June 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 28, 2006

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 507.09 states that the clerk's annual salary is based on the township's budget. Lafayette Township's 2004 budget totaling \$305,674 fell between \$250,001 and \$500,000 for an annual salary of \$11,548.

During 2004, Clerk Jim Collins' term began April 1, 2004 and the out-going clerk's, Barb Milligan, term ended March 31, 2004. For the period January 1, 2004 through March 31, 2004, Barb Milligan was compensated \$2,786. For the period March 1, 2004 through December 31, 2004, Jim Collins was compensated \$9,556. The Township's 2004 budget allotted the clerk's position a salary not to exceed \$11,548 pursuant to Ohio Revised Code Section 505.24. The combined salaries totaled \$12,342 (\$2,786 plus \$9,556). While both clerks were compensated for the month of March 2004, only Barb Milligan was entitled to compensation for that month since her term officially did not expire until March 31, 2004. As a result, Jim Collins was overcompensated \$794 (\$12,342 less \$11,548).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued Jim Collins, Clerk and the Ohio Township Association Risk Management Authority, his bonding company, jointly and severally, in the amount of \$794 in favor of the General Fund.

On August 2, 2006, the Township Clerk deposited \$794 into Township's Home Loan Saving's Bank general checking account (Township receipt No.44-2006).

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.38 requires 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 no later than April 1.

The 2004 permanent appropriations totaling \$292,500 were not approved until March 2004 and the Township did not approve temporary appropriations. As a result, expenditures initially made during the first few months of 2004 were not legally expended. The Township should adopt a permanent appropriation measure on or near the first day of the year or pass temporary appropriations until passage of permanent appropriations can be done.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Appropriation transfers may be made by resolution or ordinance from one appropriation item to another.

During 2004, the Township amended appropriations without passing a resolution approving the amendments. The Trustees should approve all supplemental appropriations prior to submission to the County Auditor.

On July 13, 2006, the Township approved the amendments (Resolution No. 101).

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 102.03(D) states that no public official shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. **Ohio Revised Code Section 2921.42(A)(1)** states no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Current Trustee, Richard Bluck (term began January 1, 2004) is part-owner of Bluck & Sons, a local business owned primarily by Richard Bluck's father. During 2004, Lafayette Township engaged in periodic business with Bluck & Sons. The Township paid Bluck & Sons \$3,984 for various materials and supplies. Check payments to Bluck & Sons during 2004 were signed by the Trustees, including Mr. Bluck. Additionally, the minute records document Mr. Bluck did not abstain from approving monthly bills, which included payments to Bluck & Sons. As a result, Mr. Bluck did not exercise the option of eliminating the use of his authority or influence of office to secure personal gain through the business in which he is part-owner.

This issue will be referred to the Ohio Ethics Commission for whatever action is deemed necessary.

FINDING NUMBER 2004-005

Reportable Condition

Cash Reconciliation/Issuance of Checks

During testing of the Township's cash reconciliations, the following weaknesses were noted:

- The bank statements were not cut off at the end of each month which caused several reconciling adjustments including deposits in transit and checks being posted as outstanding when the checks had actually cleared the bank in the same month ranging in amounts up to \$1,252.
- There were several instances where checks were voided and reissued; however, the Uniform Accounting Network (UAN) Accounting System was not updated to void the original check and show the reissued check as cleared.

To improve controls over monthly bank to book reconciliations, the Township Clerk should perform the following:

- The Township Clerk should make sure the bank cuts off the bank statements on the last day of each month. This will eliminate deposits in transit and checks that are posted as outstanding which were actually cleared during the month in which they were written.
- The Township Clerk should ensure that checks that are voided are marked as void in the UAN System and the reissued check is reported as a valid check in the UAN System.

By implementing the above recommendations, the Township's accountability over financial transactions and cash reconciliations will be improved.

Officials' Response: We did not receive a response from Officials for the findings reported above.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 5705.39 – The Township had appropriations in excess of estimated resources.	Yes	Finding No Longer Valid.
2003-002	Ohio Rev. Code Section 5705.41(B) – The Township had expenditures plus encumbrances in excess of appropriation authority.	Yes	Finding No Longer Valid.
2003-003	Ohio Rev. Code Section 5705.41(D) – The Township did not properly certify expenditures.	No	Partially Corrected. The Township did not certify 9% of expenditures properly. A comment was made in the Management Letter for the current audit.
2003-004	Ohio Rev. Code Section 505.24 - The Township paid officials' salaries from funds other than the General Fund without adopting a resolution approving payment of salaries from those funds.	No	Not Corrected. A comment was made in the Management Letter for the current audit.



**Auditor of State
Betty Montgomery**

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LAFAYETTE TOWNSHIP

COSHOCTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 5, 2006**