

**LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2005 and DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Lafayette Township
6776 Wedgewood Road
Medina, Ohio 44256

We have reviewed the *Independent Auditor's Report* of Lafayette Township, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Lafayette Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2008

This Page is Intentionally Left Blank.

**LAFAYETTE TOWNSHIP
FOR THE YEARS ENDED
DECEMBER 31, 2005 and DECEMBER 31, 2004**

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - December 31, 2005	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - December 31, 2004	4
Notes to the Financial Statements.....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Schedule of Prior Audit Findings	14
Schedule of Findings	15

INDEPENDENT AUDITOR'S REPORT

Lafayette Township Trustees
Lafayette Township, Medina County

To the Board of Trustees:

We have audited the accompanying financial statements of Lafayette Township, Medina County (the Township), as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 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 the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 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, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund combined fund cash balances and reserves for encumbrances of Lafayette Township, Medina County, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years 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, 2005 and 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 December 27, 2007 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 Standard*. You should read it in conjunction with this report in assessing the results of our audit.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

December 27, 2007

**Lafayette Township
Medina County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2005**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$45,198	\$962,329	\$1,007,527
Charges for Services	198	31,134	31,332
Licenses, Permits and Fees	945	29,566	30,511
Fines and Forfeitures	18,001	0	18,001
Intergovernmental Receipts	121,335	284,556	405,891
Interest	24,200	1,492	25,692
All Other Receipts	1,750	17,188	18,938
Total Cash Receipts	<u>211,627</u>	<u>1,326,265</u>	<u>1,537,892</u>
Cash Disbursements			
General Government	179,921	187,990	367,911
Public Safety	0	615,562	615,562
Public Works	7,310	274,546	281,856
Conservation/Recreation	1,947	0	1,947
Capital Outlay	0	56,216	56,216
Debt Service:			
Redemption of Principal	0	15,632	15,632
Interest and Other Fiscal Charges	0	732	732
Total Cash Disbursements	<u>189,178</u>	<u>1,150,678</u>	<u>1,339,856</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>22,449</u>	<u>175,587</u>	<u>198,036</u>
Other Financing Receipts/(Disbursements)			
Transfers-In	75,000	0	75,000
Transfers-Out	0	(75,000)	(75,000)
Total Other Financing Receipts/(Disbursements)	<u>75,000</u>	<u>(75,000)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	97,449	100,587	198,036
Fund Cash Balances, January 1, 2005	<u>460,370</u>	<u>1,066,965</u>	<u>1,527,335</u>
Fund Cash Balances, December 31, 2005	<u>\$557,819</u>	<u>\$1,167,552</u>	<u>\$1,725,371</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$673</u>	<u>\$673</u>

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

**Lafayette Township
Medina County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2004**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
Cash Receipts				
Taxes	\$39,608	\$870,124	\$0	\$909,732
Charges for Services	145	22,068	0	22,213
Licenses, Permits and Fees	1,180	22,104	0	23,284
Fines and Forfeitures	18,203	0	0	18,203
Intergovernmental Receipts	148,436	187,101	0	335,537
Interest	18,667	1,065	0	19,732
All Other Receipts	3,674	4,239	0	7,913
Total Cash Receipts	<u>229,913</u>	<u>1,106,701</u>	<u>0</u>	<u>1,336,614</u>
Cash Disbursements				
General Government	153,412	70,693	0	224,105
Public Safety	0	564,740	0	564,740
Public Works	5,589	356,044	11,816	373,449
Capital Outlay	2,857	114,096	0	116,953
Debt Service:				
Redemption of Principal	0	14,349	0	14,349
Interest and Fiscal Charges	0	1,557	0	1,557
Total Cash Disbursements	<u>161,858</u>	<u>1,121,479</u>	<u>11,816</u>	<u>1,295,153</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>68,055</u>	<u>(14,778)</u>	<u>(11,816)</u>	<u>41,461</u>
Fund Cash Balances, January 1, 2004 (Restated see Note 11)	<u>392,315</u>	<u>1,081,743</u>	<u>11,816</u>	<u>1,485,874</u>
Fund Cash Balances, December 31, 2004	<u>\$460,370</u>	<u>\$1,066,965</u>	<u>\$0</u>	<u>\$1,527,335</u>
Reserve for Encumbrances	<u>\$1,355</u>	<u>\$29,127</u>	<u>\$0</u>	<u>\$30,482</u>

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

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Lafayette Township, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, police protection and emergency medical services.

The reporting entity is comprised of the primary government, and a component unit that is included to ensure that the financial statements of the Township are not misleading. The primary government consists of all funds and departments that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. In addition, component units can be other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete.

Blended Component Unit. The Lafayette Township Police District (Police District) is governed by the Lafayette Township Trustees. Although it is legally separate from the Township, the Police District is reported as if it were part of the Township because its sole purpose is to provide public safety within the Township. The activity of the Police District is reported as a Special Revenue Fund type.

B. Basis of Accounting

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

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

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

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

C. Cash and Investments

Certificates of deposit and overnight sweep investments are valued 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:

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

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

Road and Bridge Fund - This fund receives property tax and intergovernmental receipts to construct, maintain and repair Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline taxes to construct, maintain and repair Township roads.

Police District Fund - This fund is used to account for a portion of property tax revenue received and used for the purpose of operating the Lafayette Township Police District.

Fire Fund - This fund is used to account for a portion of property tax revenue received and used for the purpose of providing fire protection services for the Township.

Permissive Motor Vehicle License Fund - This fund receives property taxes for constructing, maintaining and repairing Township roads and bridges.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations - Budgetary expenditures (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. Unencumbered appropriations lapse at year end.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

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

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.

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation leave. Unpaid leave is not reflected as a liability under the cash basis of accounting used by the Township.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	\$975,371	\$777,335
Certificates of Deposit	750,000	750,000
Total Deposits	<u>1,725,371</u>	<u>1,527,335</u>

Deposits - Deposits are either insured by the Federal Depository Insurance Corporation; collateralized by Federally backed securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,338	\$286,627	\$103,289
Special Revenue	1,120,200	1,326,265	206,065
Total	<u>\$1,303,538</u>	<u>\$1,612,892</u>	<u>\$309,354</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$420,605	\$189,178	\$231,427
Special Revenue	2,102,400	1,226,351	876,049
Total	<u>\$2,523,005</u>	<u>\$1,415,529</u>	<u>\$1,107,476</u>

2004 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,513	\$229,913	\$46,400
Special Revenue	1,073,800	1,106,701	32,901
Capital Projects	0	0	0
Total	<u>\$1,257,313</u>	<u>\$1,336,614</u>	<u>\$79,301</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$404,913	\$163,213	\$241,700
Special Revenue	1,509,767	1,150,606	359,161
Capital Projects	11,816	11,816	0
Total	<u>\$1,926,496</u>	<u>\$1,325,635</u>	<u>\$600,861</u>

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal property located within the Township.

Tangible personal property tax is assessed to 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.

5. **DEBT**

The Police Station Construction Notes were paid off in 2005.

6. **RETIREMENT SYSTEMS**

Employees belong to the Ohio Public Employees Retirement System (OPERS), except certain volunteer fire and rescue personnel who are covered under Social Security, OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: 277 East Town Street, Columbus, Ohio 43215 or by calling (614)466-2085 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, law enforcement members contributed 10.1% of their wages and the Township contributed an amount equal to 16.7% of law enforcement wages to OPERS. Other OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants gross salaries. The Township has paid all contributions required through December 31, 2005.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

7. **INSURANCE**

The Township has obtained commercial insurance for the following risks:

- Property
- Vehicles
- General Liability
- Public Officials Liability
- Commercial Inland Marine
- Employee Liability
- Accident and Specified Sickness (Emergency Service Personnel)
- Law Enforcement Liability
- Comprehensive Property and General Liability
- Errors and Omissions

8. **CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the Federal and State governments. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. **LITIGATION**

As of December 31, 2005, the Township was a party to various legal proceedings. The ultimate disposition of those proceedings is not presently determinable, but will not, in the opinion of the Township, have a material adverse effect on the continued operation of the Township.

10. **SUBSEQUENT EVENTS**

In August 2006, the Township, extinguished its police department without extinguishing its police district, and entered into a contract with the Medina County Sheriff to administer and provide police services for the Township.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and DECEMBER 31, 2004

11. RESTATEMENT OF FUND BALANCE

The Fund Balance for the General Fund and the Police District (Special Revenue Fund Type) for the year ended December 31, 2003, have been restated for payments and transfers improperly made from the General Fund on behalf of the Police District.

	General Fund	Special Revenue Funds
Fund Balance as Stated at December 31, 2003	\$281,760	\$1,192,298
Improper Payments/Transfers	110,555	(110,555)
Fund Balance as Stated at January 1, 2004	\$392,315	\$1,081,743

12. COMPLIANCE

- Contrary to Ohio Revised Code Section 5705.39 the Township had several funds in both 2005 and 2004 where appropriations exceeded estimated resources.
- Contrary to Ohio Revised Code Section 5705.41(B) the Township incurred expenditures in excess of authorized appropriations during 2004.
- Contrary to Ohio Revised Code Section 5705.41(D) during both 2005 and 2004 the Township entered into contracts and ordered expenditures of monies prior to obtaining the fiscal officers certification that funds have been appropriated and funds are available
- Contrary to Ohio Revised Code Section 5705.14, 5705.15 and 5705.16 the Township made improper transfer of funds.
- Contrary to Ohio Revised Code Section 5705.10 the Township incurred a negative cash balance in the Police District Fund which is an indication that revenues from other funds were used to pay obligations of the Police District.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Lafayette Township Trustees
Lafayette Township, Medina County

To the Board of Trustees:

We have audited the accompanying financial statements of Lafayette Township, Medina County (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 27, 2007, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-008.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2005-008 to be a material weakness.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2005-001 through 2005-007.

We also noted certain additional matters that we reported to management of the Township, in a separate letter dated December 27, 2007.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than those specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

December 27, 2007

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2003-001	ORC Section 5705.38	No	Not Corrected, Reissued as Finding 2005-001
2003-002	ORC Sections 5705.14, 5705.15 and 5705.16	No	Not Corrected, Reissued as Finding 2005-006
2003-003	ORC Section 5705.39	No	Not Corrected, Reissued as Finding 2005-002
2003-004	ORC Section 5705.41(B)	No	Not Corrected, Reissued as Finding 2005-003
2003-005	ORC Section 5705.41(D)	No	Not Corrected, Reissued as Finding 2005-004
2003-006	Ohio Constitution, Article XII, Section 5a	No	Not Corrected, Reissued as Finding 2005-005
2003-007	Material Weakness	No	Not Corrected, Reissued as Finding 2005-006

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONCOMPLIANCE CITATIONS

Finding Number 2005-001

Ohio Revised Code Section 5705.38 states, in part, that the taxing authority of each subdivision (Board of Trustees in a township) shall be the ones to pass an appropriation measure and any supplemental appropriation measures. Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation.

During fiscal years 2005 and 2004, appropriations were amended in the accounting system without the approval of the Board of Trustees. Since these appropriations were not legally enacted, they were disregarded for purposes of this report. As the Township's legislative authority, the Board should approve all appropriations prior to the Clerk amending the Township's appropriations in the accounting system.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The former Lafayette Township Fiscal Officer failed or refused to comply with many legal requirements and acceptable accounting practices that were the responsibility of her office. She resigned her office in October of 2005. Noncompliance has been corrected by the current Fiscal Officer who was appointed January of 2006 and the 2006 Board of Trustees.

Finding Number 2005-002

Ohio Revised Code Section 5705.39 requires that the total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate for amended official estimate when amending estimated resources.

For 2005 the Certificate of County Auditor that the total appropriations from each fund do not exceed the official estimate of resources indicated that appropriations do exceed estimated resources. For 2004 and 2005, incorrect unencumbered balance amounts were recorded on the Certificate of Estimated Resources.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

During 2004, appropriations exceeded estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
Police District	\$352,480	\$352,525	\$45
Fire District	182,059	186,729	4,670

During 2005, appropriations exceeded estimated resources as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$416,448	\$420,605	\$4,157
Police District	320,069	389,350	69,281
Fire District	40,901	95,100	54,199

Appropriations and estimated resources should be monitored and amended accordingly to avoid potential overspending.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The former Lafayette Township Fiscal Officer failed or refused to comply with many legal requirements and acceptable accounting practices that were the responsibility of her office. She resigned her office in October of 2005. Noncompliance has been corrected by the current Fiscal Officer who was appointed January of 2006.

Finding Number 2005-003

Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

During 2004, the Township incurred expenditures of \$21,013 in the Gasoline Tax Fund and \$29,986 in the Police District Fund without having authorized appropriations. The Township needed to issue an Amended Certificate of Estimated Resources to the County Auditor when it realized there would be additional funding received and the Board should have amended the appropriations so that expenditures could have been incurred legally.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending. In addition, the Fiscal Officer should periodically review the Township's Appropriations Ledgers to ensure appropriation amounts are posted accurately and timely.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The former Lafayette Township Fiscal Officer failed or refused to comply with many legal requirements and acceptable accounting practices that were the responsibility of her office. She resigned her office in October of 2005. Noncompliance has been corrected by the current Fiscal Officer who was appointed January of 2006.

Finding Number 2005-004

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditures of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- a. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditures is otherwise valid.

During the audit period 2005-2004, 62 out of 147 expenditures tested (42%) were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance. The Township should certify the availability of funds prior to incurring the obligation for expenditures. The Township should also

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Revised Code Section 5705.41.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The former Lafayette Township Fiscal Officer failed or refused to comply with many legal requirements and acceptable accounting practices that were the responsibility of her office. She resigned her office in October of 2005. Noncompliance has been corrected by the current Fiscal Officer who was appointed January of 2006.

Finding Number 2005-005

Ohio Constitution, Article XII, Section 5a, states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Clerk made investments of pooled cash from various funds, including the Motor Vehicle License Fund, Gasoline Tax Fund and Permissive Motor Vehicle License Tax Fund and did not distribute the interest earned in accordance with the above requirements. The Township should have allocated the following amounts:

Funds Entitled to Interest	2005	2004	Total
Motor Vehicle License	\$215	\$83	\$298
Gasoline Tax	856	580	1,436
Permissive Motor Vehicle License Tax	382	402	784
Total	\$1,453	\$1,065	\$2,518

As a result, revenues were overstated in the General Fund and understated in the Motor Vehicle License Fund, Gasoline Tax Fund and Permissive Motor Vehicle License Tax Fund. The Township should apportion interest earnings to these funds based on a reasonable determination of its share of the investment pool.

The Township has posted the necessary adjustments and the adjustments are reflected in the financial statements.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The former Lafayette Township Fiscal Officer failed or refused to comply with many legal requirements and acceptable accounting practices that were the responsibility of her office. She resigned her office in October of 2005. Noncompliance has been corrected by the current Fiscal Officer who was appointed January of 2006.

Finding Number 2005-006

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. Lafayette Township had two police levies in place as of December 31, 2005, which excluded a portion of the Township territory. Pursuant to Ohio Revised Code Section 505.48 these levies created a "police district" which is a separate and distinct subdivision and taxing unit from the Township itself. 1997 Op. Att'y Gen. No. 77-097; Cassetty v. Kenney (1984), 1984 Ohio App. LEXIS 11113; Ohio Rev. Code Section 5705.01. During 2004, the Township's General Fund transferred \$40,000 to the police district (Police Levy Fund). During 2005, the Township's General Fund advanced \$7,000 to the police district (Police Levy Fund). Generally, when a township police district created by a board of trustees does not include all of the township territory, no portion of the expenses of the district in providing police protection can be paid out of the township general fund. 1964 Op. Att'y Gen. No. 64-1225. Police district funds must be kept separate from township funds, and the expenses of a police district are not township expenses. Cassetty v. Kinney (1984), 1984 Ohio App. LEXIS 11113. Since the Township's police district is a separate political subdivision which excluded a portion of the township territory, and since there was no contract between the Township and the police district for services, the transfer of \$40,000 and advance of \$7,000 constitute illegal expenditures.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The \$40,000 transfer and the \$7,000 advance have been returned to the general fund and the financial statements have been corrected to reflect this repayment.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

Finding Number 2005-007

Ohio Revised Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The Township used General Fund monies to pay for Police District operations. These funds are being returned to the General Fund (to the extent of available resources) which has created a negative fund balance in the Police District Fund of \$201,335 at December 31, 2004 and \$337,482 at December 31, 2005.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The deficit will be reduced as the Police District collects levy money in 2006 and 2007. After that any deficit remaining will be taken to the Courts and forgiveness requested.

REPORTABLE CONDITION

Finding Number 2005-008

Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point in time.

From January 1, 2004 through December 31, 2005, the Township did not fully reconcile the balance of the bank and the balance of the cash in the accounting records. At December 31, 2005 and 2004 there were unreconciled differences of \$647 and \$1,447, respectively (the bank is in excess of the books in 2005 and the books is in excess of the bank in 2004). The annual reports for fiscal years 2005 and 2004 were filed with the Auditor of State with adjustments to show a reconciled amount which the Township was unable to support.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township's management. In addition, Township management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

REPORTABLE CONDITION (Continued)

The Township needs to prepare accurate monthly bank reconciliations in a timely manner. Also, a hard copy of monthly bank reconciliations and the listing of outstanding checks should be filed in the bank activity folder with the bank statements and supporting documents for the applicable month. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month to month. All reconciling matters should be appropriately documented.

The Township was able to reconcile the cash for fiscal year 2006 but did not retroactively make corrections to fiscal years 2005 and 2004. Thus, the fund balances as presented do not reconcile with cash.

Corrective Action: **Contact Person:** **Shirley Bailey, Fiscal Officer**

The former Lafayette Township Fiscal Officer failed or refused to comply with many legal requirements and acceptable accounting practices that were the responsibility of her office. She resigned her office in October of 2005. Noncompliance has been corrected by the current Fiscal Officer who was appointed January of 2006. In addition, the 2006 Board of Trustees implemented a policy requiring each trustee personally verify the bank reconciliation on a monthly rotation.



Mary Taylor, CPA
Auditor of State

LAFAYETTE TOWNSHIP

MEDINA 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
JANUARY 17, 2008**