



Mary Taylor, CPA
Auditor of State

LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY

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Mary Taylor, CPA

Auditor of State

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 due to an 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 adverse 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.

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Mary Taylor, CPA
Auditor of State

September 26, 2008

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Mary Taylor, CPA

Auditor of State

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 years ended December 31, 2007 and 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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.

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, 2007 and 2006 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, 2007 and 2006, 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 combined fund cash balances and reserves for encumbrances of Lafayette Township, Coshocton County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2006, the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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 September 26, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2008

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$74,020	\$52,588	\$0	\$126,608
Licenses, Permits, and Fees	0	15,663	0	15,663
Intergovernmental	55,281	112,612	0	167,893
Earnings on Investments	2,182	1,854	505	4,541
Miscellaneous	287	8,414	0	8,701
Total Cash Receipts	131,770	191,131	505	323,406
Cash Disbursements:				
Current:				
General Government	87,440	0	0	87,440
Public Safety	0	12,291	0	12,291
Public Works	19,901	60,643	0	80,544
Health	7,978	21,137	0	29,115
Other	18,228	73,990	0	92,218
Total Cash Disbursements	133,547	168,061	0	301,608
Total Cash Receipts Over/(Under) Cash Disbursements	(1,777)	23,070	505	21,798
Other Financing Receipts:				
Debt Proceeds	0	65,000	0	65,000
Total Other Financing Receipts	0	65,000	0	65,000
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(1,777)	88,070	505	86,798
Fund Cash Balances, January 1	35,021	66,510	15,529	117,060
Fund Cash Balances, December 31	\$33,244	\$154,580	\$16,034	\$203,858
Reserve for Encumbrances, December 31	\$0	\$42,130	\$0	\$42,130

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

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$68,973	\$47,257	\$0	\$116,230
Licenses, Permits, and Fees	0	14,182	0	14,182
Intergovernmental	18,857	111,980	0	130,837
Earnings on Investments	78	299	512	889
Miscellaneous	947	12,647	0	13,594
Total Cash Receipts	88,855	186,365	512	275,732
Cash Disbursements:				
Current:				
General Government	87,345	0	0	87,345
Public Safety	0	12,000	0	12,000
Public Works	4,360	131,949	0	136,309
Health	6,699	22,199	0	28,898
Capital Outlay	0	23,305	0	23,305
Total Cash Disbursements	98,404	189,453	0	287,857
Total Cash Receipts Over/(Under) Cash Disbursements	(9,549)	(3,088)	512	(12,125)
Other Financing Receipts / (Disbursements):				
Transfers-In	0	2,400	0	2,400
Transfers-Out	(2,400)	0	0	(2,400)
Total Other Financing Receipts / (Disbursements)	(2,400)	2,400	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(11,949)	(688)	512	(12,125)
Fund Cash Balances, January 1	46,970	67,198	15,017	129,185
Fund Cash Balances, December 31	\$35,021	\$66,510	\$15,529	\$117,060
Reserve for Encumbrances, December 31	\$0	\$14,008	\$0	\$14,008

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

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 the 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 services.

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

B. Accounting Basis

During 2005, the Township followed the modified cash basis of accounting. However, its financial statement presentation format and disclosures conformed with generally accepted accounting principles applicable to the modified cash accounting basis.

During 2007 and 2006, the Township used the accounting basis the Auditor of State prescribes or permits. 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
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Bequest Fund - This 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2007	2006
Demand deposits	\$190,607	\$103,809
Certificates of deposit	13,251	13,251
Total deposits	\$203,858	\$117,060

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 years ending follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,613	\$131,770	\$14,157
Special Revenue	277,476	256,131	(21,345)
Permanent	0	505	505
Total	\$395,089	\$388,406	(\$6,683)

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,608	\$133,547	\$43,061
Special Revenue	321,781	210,191	111,590
Permanent	0	0	0
Total	\$498,389	\$343,738	\$154,651

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,590	\$88,855	(\$10,735)
Special Revenue	187,815	188,765	950
Permanent	106	512	406
Total	\$287,511	\$278,132	(\$9,379)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,015	\$100,804	\$46,211
Special Revenue	270,304	203,461	66,843
Permanent	0	0	0
Total	\$417,319	\$304,265	\$113,054

Contrary to Ohio Rev. Code Section 5705.41 (D), 36% of expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation.

4. Property Tax

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

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

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.

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax (Continued)

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Promissory Note	\$65,012	4.75%

In June 2007, the Township obtained a loan in the amount of \$65,012, which includes \$12 in miscellaneous fees, for the purpose of purchasing equipment with the loan maturing in June 2012.

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

Year ending December 31:	Promissory Note
2008	\$14,915
2009	14,915
2010	14,915
2011	14,915
2012	14,915
Total	\$74,574

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

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

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,300. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2005	\$3,578
2006	\$3,699
2007	\$3,127

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

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Mary Taylor, CPA

Auditor of State

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 Township Board of Trustees:

We have audited the financial statements of Lafayette Township, Coshocton County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 26, 2008, wherein we noted the Township changed its financial statement presentation to the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township 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. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider Finding Numbers 2007-001 and 2007-003 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe Finding Number 2007-003 is also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated September 26, 2008.

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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-002 through 2007-004.

We also noted certain other noncompliance or other matters that we reported to the Township's management in a separate letter dated September 26, 2008.

We intend this report solely for the information and use of the management and Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 26, 2008

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency

Finding for Recovery

The Board of Trustees approved the wages for a Class A Common Road Laborer at \$7.50/hour at the March 8, 2006 meeting. Class A Common Road Laborer Timothy Guthrie filed a time sheet documenting 76 hours of work for the month of April 2006; however, the Fiscal Officer issued a pay check to Mr. Guthrie for 96 hours of work at the proper rate of \$7.50 totaling \$720 in gross wages. Consequently, Mr. Guthrie's gross wages should have been \$570 which resulted in an overpayment totaling \$150.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Road Laborer Timothy Guthrie, in the amount of \$150 and in favor of the Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liability for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liability if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because certain Township Officers signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$150; Richard Bluck, Township Trustee; Charles Easter, Township Trustee; James Schumaker, Townships Trustee; the estate of Delmas Collins, Fiscal Officer; and Ohio Township Association Risk Management Authority, their bonding company.

Richard Bluck, Charles Easter, James Schumaker and the estate of Delmas Collins shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Timothy Gunthrie.

The Fiscal Officer should ensure hours paid to employees are in agreement with the approved timesheets. This will help ensure each employee's gross wages are complete and accurate.

FINDING NUMBER 2007-002

Material Non-Compliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2007 and 2006, 29 of the 74 (36%) expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. Additionally, 1 out of 74 (1%) purchase orders tested was not signed by the Fiscal Officer. Also, for 6 out of 10 (60%) blanket certificates tested did not have amounts established by the Board. The Fiscal Officer should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2007-002 (Continued)

Material Non-Compliance (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursement and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Additionally, the Township did not encumber expenditures within the fiscal year for which they occurred. For 2007, we noted an expenditure made for \$42,130 made in January 2008 that represented a 2007 expense. For 2006, we noted an expenditure made for \$14,008 made in January 2007 that represented a 2006 expense. The Township should certify all purchase orders in the year for which the obligation occurs.

We recommend the Fiscal Officer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The Fiscal Officer should also sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Board should also adopt a resolution or ordinance establishing a maximum threshold for blanket certificates.

We also reported this matter in our audit of the 2005-04 financial statements.

FINDING NUMBER 2007-003

Material Non-Compliance/Material Weakness

Ohio Rev. Code 505.24(C) sets forth the method by which Township trustees' compensation should be allocated. This section states that the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually be a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the Township general fund or from funds in proportions as the Board may specify by resolution.

In addition, **2004 Op. Att'y Gen. No. 2004-036** requires the trustees to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

During the audit for the years ending 2005 and 2004, the Township was notified of this requirement in a management letter comment. This was issued September 5, 2006.

FINDING NUMBER 2007-003 (Continued)

Material Non-Compliance/Material Weakness (Continued)

Although the Township passed a resolution as required, supporting documentation in the form of time journals were not documented during 2006 to justify the wages in the amount of \$15,654 paid from the Gas Fund for the Trustee's wages. As documentation was not maintained, the salaries should have been paid from the General Fund.

The client has agreed to the adjustment and the financial statements were adjusted accordingly to reclassify \$15,654 from the Special Revenue Gas Fund to the General Fund as of December 31, 2007.

FINDING NUMBER 2007-004

Material Non-Compliance

Ohio Rev. Code Section 9.38, indicates monies should be deposited with the Treasurer or designated depository on the next business day if the amount of the daily receipts exceed \$1,000. If daily receipts do not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. However, this alternative time period shall not exceed three business days following the day of receipt. Additionally, the policy must include procedures to safeguard the monies until the time of deposit.

For 30 out of 40 (75%) receipts tested, monies were not deposited with the Fiscal Officer or designated depository for a period ranging between two and 25 days after initial receipt of the money. Delays of this nature could cause the Township's receipts to be lost or misplaced without being detected in a timely manner.

The Township should properly safeguard receipts and implement Ohio Rev. Code Section 9.38 (see Auditor of State Bulletin 99-020) relative to depositing requirements and procedures.

Official's Response: We received no responses to the findings above.

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.38 – Permanent appropriations for 2005 were not approved during the audit period.	Yes	
2005-002	Ohio Rev. Code Section 5705.40 – Amendments were made to appropriations without approval by the Board of Trustees	Yes	
2005-003	Ohio Rev. Code Section 102.03 – Trustee Bluck did not excise the option of eliminating the use of his influence of office to secure personal gain through the business in which he is a part owner	Yes	
2005-004	Cash Reconciliations/Issuance of Checks – Several checks were written out of sequence and bank reconciliations were not completed properly.	Yes	



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 13, 2008**