

**LAFAYETTE TOWNSHIP**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND DECEMBER 31, 2008

Varney, Fink & Associates, Inc.  
Certified Public Accountants





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Lafayette Township  
6776 D 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, 2008 through December 31, 2009. 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.

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

Mary Taylor, CPA  
Auditor of State

July 9, 2010

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**LAFAYETTE TOWNSHIP, OHIO  
MEDINA COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND DECEMBER 31, 2008**

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**CERTIFIED PUBLIC ACCOUNTANTS  
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Wadsworth, Ohio 44281  
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**INDEPENDENT AUDITOR'S REPORT**

Lafayette Township  
6776 D Wedgewood Road  
Medina, Ohio 44256

To the Township Trustees:

We have audited the accompanying financial statements of Lafayette Township, Medina County, (the Township), as of and for the years ended December 31, 2009 and 2008. 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 *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 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 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, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 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, 2009 and 2008, 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, 2009 and 2008, 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 the Township, as of December 31, 2009 and 2008, 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 years ended December 31, 2009 and 2008. 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 May 20, 2010, 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 express an opinion 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.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

May 20, 2010

**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, 2009**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$53,280	\$948,433	\$1,001,713
Charges for Services	3,945	53,934	57,879
Licenses, Permits and Fees	167	8,137	8,304
Fines and Forfeitures	1,328	0	1,328
Intergovernmental Receipts	158,293	300,176	458,469
Interest	29,426	1,838	31,264
All Other Receipts	6,134	10,379	16,513
Total Cash Receipts	<u>252,573</u>	<u>1,322,897</u>	<u>1,575,470</u>
Cash Disbursements			
Current:			
General Government	190,402	27,567	217,969
Public Safety	0	768,128	768,128
Public Works	0	315,635	315,635
Health	0	2,038	2,038
Conservation/Recreation	15,369	0	15,369
Capital Outlay	150	17,213	17,363
Total Cash Disbursements	<u>205,921</u>	<u>1,130,581</u>	<u>1,336,502</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>46,652</u>	<u>192,316</u>	<u>238,968</u>
Other Financing Receipts/(Disbursements)			
Sale of Fixed Assets	0	15,600	15,600
Transfers-In	0	36,536	36,536
Transfers-Out	(36,536)	0	(36,536)
Advances-In	0	28,000	28,000
Advances-Out	0	(28,000)	(28,000)
Insurance Recoveries	0	6,675	6,675
Total Other Financing Receipts/(Disbursements)	<u>(36,536)</u>	<u>58,811</u>	<u>22,275</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	10,116	251,127	261,243
Fund Cash Balances, January 1, 2009	<u>432,875</u>	<u>1,984,318</u>	<u>2,417,193</u>
Fund Cash Balances, December 31, 2009	<u>\$442,991</u>	<u>\$2,235,445</u>	<u>\$2,678,436</u>
Reserve for Encumbrances	<u>\$137</u>	<u>\$471,650</u>	<u>\$471,787</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, 2008**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$52,325	\$917,591	\$969,916
Charges for Services	647	23,602	24,249
Licenses, Permits and Fees	292	14,868	15,160
Fines and Forfeitures	2,725	0	2,725
Intergovernmental Receipts	131,929	296,230	428,159
Interest	47,888	7,139	55,027
All Other Receipts	3,769	1,659	5,428
Total Cash Receipts	<u>239,575</u>	<u>1,261,089</u>	<u>1,500,664</u>
Cash Disbursements			
Current:			
General Government	255,618	26,901	282,519
Public Safety	403	617,641	618,044
Public Works	0	259,028	259,028
Health	300	220	520
Conservation/Recreation	2,485	0	2,485
Capital Outlay	28,280	63,163	91,443
Total Cash Disbursements	<u>287,086</u>	<u>966,953</u>	<u>1,254,039</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(47,511)</u>	<u>294,136</u>	<u>246,625</u>
Other Financing Receipts/(Disbursements)			
Sale of Fixed Assets	5,175	0	5,175
Transfers-In	0	10,504	10,504
Transfers-Out	(10,504)	0	(10,504)
Insurance Recoveries	0	8,351	8,351
Total Other Financing Receipts/(Disbursements)	<u>(5,329)</u>	<u>18,855</u>	<u>13,526</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	<u>(52,840)</u>	<u>312,991</u>	<u>260,151</u>
Fund Cash Balances, January 1, 2008	<u>485,715</u>	<u>1,671,327</u>	<u>2,157,042</u>
Fund Cash Balances, December 31, 2008	<u>\$432,875</u>	<u>\$1,984,318</u>	<u>\$2,417,193</u>
Reserve for Encumbrances	<u>\$802</u>	<u>\$82,694</u>	<u>\$83,496</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, 2009 and DECEMBER 31, 2008

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, fire and emergency medical 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 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.

C. Cash and Investments

The Township's accounting 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. Investments in STAR Ohio are recorded at share value.

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 to be accounted for in another fund.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and DECEMBER 31, 2008

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

**Special Revenue Funds** - These funds are used to 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 taxes and intergovernmental receipts to construct, maintain and repair Township roads and bridges.

Sheriff's Contract Fund - This fund is used to account for a portion of property tax revenue received and used for the purpose of providing police protection services for the Township.

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

E. Budgetary Process

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

**Appropriations** - Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the legal 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.

**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 2009 and 2008 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.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and DECEMBER 31, 2008

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

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:

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$1,344,638	\$398,153
Certificates of Deposits	<u>381,741</u>	<u>982,275</u>
Total Deposits	<u>1,726,379</u>	<u>1,380,428</u>
STAR Ohio	<u>952,057</u>	<u>1,036,765</u>
Total Investments	<u>952,057</u>	<u>1,036,765</u>
Total Deposits & Investments	<u>\$2,678,436</u>	<u>\$2,417,193</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.

**Investments** – Investments in STAR Ohio are not evidenced by securities that exist in physical or book- entry form.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and DECEMBER 31, 2008

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2009 and December 31, 2008 was as follows:

2009 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$244,113	\$252,573	\$8,460
Special Revenue	<u>1,268,229</u>	<u>1,409,708</u>	<u>141,479</u>
Total	<u><u>\$1,512,342</u></u>	<u><u>\$1,662,281</u></u>	<u><u>\$149,939</u></u>

2009 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$318,072	\$242,594	\$75,478
Special Revenue	<u>2,265,634</u>	<u>1,630,231</u>	<u>635,403</u>
Total	<u><u>\$2,583,706</u></u>	<u><u>\$1,872,825</u></u>	<u><u>\$710,881</u></u>

2008 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$228,747	\$244,750	\$16,003
Special Revenue	<u>1,188,680</u>	<u>1,279,944</u>	<u>91,264</u>
Total	<u><u>\$1,417,427</u></u>	<u><u>\$1,524,694</u></u>	<u><u>\$107,267</u></u>

2008 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$403,893	\$298,392	\$105,501
Special Revenue	<u>1,523,415</u>	<u>1,049,647</u>	<u>473,768</u>
Total	<u><u>\$1,927,308</u></u>	<u><u>\$1,348,039</u></u>	<u><u>\$579,269</u></u>

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and DECEMBER 31, 2008

**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 has been phased out as of 2009. To compensate, the state will make distributions to taxing subdivisions from revenue generated by a newly enacted commercial activity tax. Generally, these distributions are expected to fully compensate taxing subdivisions for such losses through 2010 with gradual reductions in the reimbursement from 2011 through 2017.

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

**5. 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 1-614-222-5601 or 1-800-222-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross salaries for 2009 and 2008. The Township contributed an amount equal to 14% of participants gross salaries for 2009 and 2008 respectively. The Township has paid all contributions required through December 31, 2009.

**6. INSURANCE**

The Township has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability;
- Vehicles;
- Accident and Specified Sickness (Emergency Medical Service Personnel); and
- Errors and Omissions

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and DECEMBER 31, 2008

**7. LITIGATION**

As of December 31, 2009, 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.

**8. COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41(D) during both 2009 and 2008 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 5705.39, total appropriations exceeded estimated resources in several funds for the years ended December 31, 2009 and 2008.

**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  
6776 D Wedgewood Road  
Medina, Ohio 44256

To the Township Trustees:

We have audited the financial statements of Lafayette Township, Medina County (the Township) as of and for the years ended December 31, 2009 and December 31, 2008, and have issued our report thereon dated May 20, 2010, wherein we noted the Township prepared its financial statement using accounting practices the Auditor of State prescribes or permits 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 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not expressed an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying Schedule of Findings and Responses to be a material weakness.

**Lafayette Township**  
**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***  
Page 2

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-02 and 2009-03 described in the accompanying Schedule of Findings and Responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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 we must report under *Government Auditing Standards* and which are described in the accompany Schedule of Findings and Responses as items 2009-04 and 2009-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Township in a separate letter dated May 20, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

May 20, 2010

LAFAYETTE TOWNSHIP  
MEDINA COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Finding 2009-01                      Material Weakness

Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for accurate presentation of the Township's financial statements and ledgers.

Receipts and disbursements were not always posted properly. The following posting errors were noted:

2008

- General Government disbursements of \$1,071 in the General Fund were recorded as Fiscal Charges.
- Public Safety disbursements of \$242,858 in the Fire and EMS Fund were recorded as General Government.
- Capital Outlay disbursements of \$4,145 in the Fire and EMS Fund were recorded as Other Financing Uses.
- General Fund disbursements of \$2,773 were recorded in the Zoning Fund.
- The sale of fixed assets for \$5,175 were adjusted to beginning fund balance in the General Fund instead of being recorded as a revenue.
- Intergovernmental Receipts were posted as Property Tax receipts as follows:

General Fund	\$4,092
Road and Bridge Fund	\$23,645
Fire and EMS Fund	\$28,426
Sheriff's Contract Fund	\$18,695
MVL Tax Fund	\$9,851
Permissive MVL Tax Fund	\$51,513

LAFAYETTE TOWNSHIP  
MEDINA COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

2009

- General Government disbursements of \$153 in the General Fund were recorded as Fiscal Charges.
- Public Safety disbursements of \$291,817 in the Fire and EMS Fund were recorded as General Government.
- Capital Outlay disbursements of \$14,770 in the Fire and EMS Fund were recorded as Other Financing Uses.
- Charges for Services for \$907 were adjusted to beginning fund balance in the General Fund instead of being recorded as a revenue.
- General Fund disbursements of \$1,617 were recorded in the Zoning Fund.
- Intergovernmental Receipts were posted as Property Tax receipts as follows:

MVL Tax Fund	\$9,531
Permissive MVL Tax Fund	\$51,791

- The sale of fixed assets were posted as Other Receipts as follows:

Road and Bridge Fund	\$7,800
Fire and EMS Fund	\$6,300
Sheriff's Contract Fund	\$1,500

- A reimbursement in the Fire and EMS Fund for a current year expense of \$725 was recorded as an Other Financing Source rather than a reduction of the original expenditure.
- Other Receipts of \$603 in the Fire and EMS Fund were recorded as Other Financing Sources

Officials Response:

The UAN system set up by the previous clerk contains inaccurate code assignments for certain permanent entries. The fiscal officer has contacted UAN to make coding changes and corrections are in process.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

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

Finding 2009-02      Significant Deficiency

Posting of Budget

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system.

The Township Fiscal Officer did not post budgeted receipts into the accounting system in 2008 and budgeted receipts that were input into the accounting system in 2009 were not in agreement with the Certificate of Estimate Resources. In both 2008 and 2009, appropriations input into the accounting system did not always agree with authorized appropriations and subsequent amendments.

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Board of Trustees and to only include budgeted receipts as certified by the County Auditor.

We recommend the Board of Trustees approve all appropriation amendments via resolution, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Fiscal Officer should post these amendments only after the required approvals have been obtained. We also recommend the Township Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and amendments thereto.

Officials Response:

Budgeted resources and appropriations will be monitored in the system to make sure in agreement with authorized amounts.

Finding 2009-03      Significant Deficiency

Bank Reconciliations

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. Bank reconciliation means accounting for the difference between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point of time.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
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At December 31, 2008 and December 31, 2009 the Township's balance of the bank did not properly reconcile with the balance of the cash and investments in the accounting records. At some point during 2008 the Township's investment records began to not balance with the Bank records. During our analysis of the December 31, 2008 and December 31, 2009 bank reconciliations the audit team noticed that the Fiscal Officer's reconciliation only proved the difference between the accounting records and the primary transaction bank account used by the Township. Upon further inspection the audit team identified that the Township was merely taking its total fund balance and reducing it by the investment balance shown by its accounting system. When the audit team attempted to trace the investment balance on the Township's accounting records to the Charter One Bank Certificate of Deposit outstanding principle balances and the STAR Ohio bank statement balances at December 31, 2008 a variance of \$772.68 and at December 31, 2009 a variance of \$691.58 were noted, with the Township's accounting records showing a higher investment balance than the Bank.

Without complete and accurate monthly bank reconciliation, the Township's internal control is 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.

The Township should perform complete monthly bank reconciliations in a timely manner which includes reconciling all accounting record balances. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month to month. Also, all reconciling matters should be appropriately documented.

Officials Response:

The discrepancy has been found and adjustments to the funds have been made.

Finding 2009-04

Noncompliance

Section 5705.41(D), Revised Code, requires that no subdivision or taxing unit 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 same has been lawfully appropriated for such purposes 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.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
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This section also provides exceptions to the above requirements:

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time the contract or order was made, and at the time the fiscal officer is completing the certification, 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 encumbrances, the Trustees may authorize the drawing of a warrant for 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.
2. 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 other applicable requirement for approval of expenditures by the Township.

The Township did not properly certify the availability of funds prior to the purchase commitment for 25% and 35% of the expenditures tested during 2008 and 2009, respectively. In addition, there was no evidence that the Township followed the aforementioned exceptions.

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 purchase commitments receive prior approval. To improve controls over disbursements 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 an obligation being incurred by the Township. When prior certification is not possible, “Then and Now” certification should be used.

Officials Response:

It has been the practice for the fiscal officer to timely verify the funds available however, the certificates are done at the first available trustees’ meeting. Trustees and employees will be notified by the fiscal officer that if any purchase prior to the completion of certification will not be paid unless it is a bona fide emergency able to covered by a then and now certification.

LAFAYETTE TOWNSHIP  
 MEDINA COUNTY  
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
 YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

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Finding 2009-05          Noncompliance

Section 5705.39, Revised Code, provides in part that total appropriations from each fund shall not exceed the total estimated resources. This section also requires obtaining a reduced amended certificate of estimated resources if the amount of actual receipts will reduce available resources below the current level of appropriations.

During our budgetary testing, it was noted that total appropriations exceeded estimated resources in the following funds for the years ended December 31:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>2009</u>			
Motor Vehicle License Tax	\$38,246	\$43,000	(\$4,754)
Fire District	\$1,943	\$32,000	(\$30,057)
Ambulance and EMS	\$8,586	\$10,304	(\$1,718)
 <u>2008</u>			
Zoning	\$27,264	\$38,354	(\$11,090)
Ambulance and EMS	\$28,586	\$29,537	(\$951)

Appropriations in the above funds also exceeded actual resource available.

Officials Response:

A system has been established for the fiscal officer and board president to regularly monitor appropriations and the certificate of resources against actual receipts. This will ensure a reduction in the certificate of resources and appropriations is done where necessary based on actual revenue.

**LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2009  
AND DECEMBER 31, 2008**

<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>
2007-01	Receipts and Disbursements not recorded properly.	No	Not Corrected, Reissued as Finding 2009-01
2007-02	ORC Section 5705.38, appropriations amended in accounting system without approval of Trustees.	No	Not Corrected, Reissued as Finding 2009-02
2007-03	ORC Section 5705.10 Negative fund balances.	Yes	Corrected
2007-04	ORC Section 5705.41(D) Certification of fiscal officer.	No	Not Corrected, Reissued as Finding 2009-04



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  
JULY 22, 2010