

**LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

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 Gary B. Fink & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

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, Medina County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 3, 2005

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**LAFAYETTE TOWNSHIP
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lafayette Township, Medina County
6776 D Wedgewood Road
Medina, OH 44256

We have audited the accompanying financial statements of Lafayette Township, Medina County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. 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.

Except as discussed in the following paragraph, 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.

Because of inadequacies in the Township's bank reconciliations and accounting records, we were unable to form an opinion regarding fund balances stated at \$282,706 General Fund; \$1,191,352 Special Revenue Funds; and \$11,816 Capital Projects for 2003 and \$182,178 General Fund; and \$946,880 Special Revenue Funds for 2002. The reconciled bank balance was more than the book balance by \$4,758 and \$1,023 for 2003 and 2002, respectively.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary for fund balances, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of Lafayette Township as of December 31, 2003 and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

March 29, 2005

**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, 2003**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
Cash Receipts				
Taxes	\$37,598	\$827,803	\$0	\$865,401
Charges for Services	157	37,323	0	37,480
Licenses, Permits and Fees	955	31,533	0	32,488
Fines and Forfeitures	18,180	0	0	18,180
Intergovernmental Receipts	180,610	258,868	61,312	500,790
Interest	9,250	946	0	10,196
All Other Receipts	2,332	6,102	0	8,434
Total Cash Receipts	<u>249,082</u>	<u>1,162,575</u>	<u>61,312</u>	<u>1,472,969</u>
Cash Disbursements				
General Government	116,701	39,078	0	155,779
Public Safety	20,555	503,564	0	524,119
Public Works	6,045	280,243	49,496	335,784
Health	3,019	0	0	3,019
Human Services	3,132	0	0	3,132
Capital Outlay	0	78,365	0	78,365
Debt Service:				
Redemption of Principal	0	13,210	0	13,210
Interest and Fiscal Charges	0	2,697	0	2,697
Total Cash Disbursements	<u>149,452</u>	<u>917,157</u>	<u>49,496</u>	<u>1,116,105</u>
Total Cash Receipts Over Cash Disbursements	<u>99,630</u>	<u>245,418</u>	<u>11,816</u>	<u>356,864</u>
Other Financing Receipts and (Disbursements)				
Other Financing Uses	(48)	0	0	(48)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	99,582	245,418	11,816	356,816
Fund Cash Balances, January 1, 2003	<u>182,178</u>	<u>946,880</u>	<u>0</u>	<u>1,129,058</u>
Fund Cash Balances, December 31, 2003	<u>\$281,760</u>	<u>\$1,192,298</u>	<u>\$11,816</u>	<u>\$1,485,874</u>
Reserve for Encumbrances, December 31, 2003	<u>\$25,413</u>	<u>\$12,239</u>	<u>\$0</u>	<u>\$37,652</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, 2002**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$34,164	\$687,533	\$721,697
Charges for Services	422	22,057	22,479
Licenses, Permits and Fees	875	31,857	32,732
Fines and Forfeitures	5,794	0	5,794
Intergovernmental Receipts	128,315	192,249	320,564
Interest	10,281	1,691	11,972
All Other Receipts	13,031	452	13,483
Total Cash Receipts	192,882	935,839	1,128,721
Cash Disbursements			
General Government	129,338	19,541	148,879
Public Safety	46,207	367,860	414,067
Public Works	5,467	201,409	206,876
Health	350	0	350
Miscellaneous	0	197,797	197,797
Capital Outlay	31,803	0	31,803
Debt Service:			
Redemption of Principal	0	12,210	12,210
Interest and Fiscal Charges	0	3,697	3,697
Total Cash Disbursements	213,165	802,514	1,015,679
Total Cash Receipts Over (Under) Cash Disbursements	(20,283)	133,325	113,042
Other Financing Receipts and (Disbursements)			
Transfers In	75,000	10,000	85,000
Transfers Out	(10,000)	(75,000)	(85,000)
Advances In	0	28,000	28,000
Advances Out	0	(28,000)	(28,000)
Other Financing Uses	0	(93)	(93)
Total Other Financing Receipts/(Disbursements)	65,000	(65,093)	(93)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	44,717	68,232	112,949
Fund Cash Balances, January 1, 2002	135,770	880,339	1,016,109
Fund Cash Balances, December 31, 2002	\$180,487	\$948,571	\$1,129,058
Reserve for Encumbrances, December 31, 2002	\$0	\$3,396	\$3,396

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, 2003 AND DECEMBER 31, 2002

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 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

Certificates of deposit and overnight sweep investments are valued at cost.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursed and sales of investments are not recorded as receipts. Gains or loss at the time of sale are recorded as receipts or disbursements, respectively.

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.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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 maintaining the Township police department.

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.

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 2003 and 2002 budgetary activity appears in Note 3.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$645,874	\$299,058
Certificates of Deposit	750,000	750,000
Total Deposits	<u>1,395,874</u>	<u>1,049,058</u>
Repurchase agreement	<u>90,000</u>	<u>80,000</u>
Total Deposits and Investments	<u>\$1,485,874</u>	<u>\$1,129,058</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 - Equity securities for the sweep account are held in book entry form by the financial institution's trust department in the Township's name.

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,668	\$249,082	\$48,414
Special Revenue	1,041,615	1,162,575	120,960
Capital Projects	0	61,312	61,312
Total	\$1,242,283	\$1,472,969	\$230,686

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$328,404	\$174,913	\$153,491
Special Revenue	1,269,020	929,396	339,624
Capital Projects	0	49,496	(49,496)
Total	\$1,597,424	\$1,153,805	\$443,619

2002 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,000	\$267,882	\$47,882
Special Revenue	870,916	945,839	74,923
Total	\$1,090,916	\$1,213,721	\$122,805

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$287,164	\$223,165	\$63,999
Special Revenue	1,418,380	881,003	537,377
Total	\$1,705,544	\$1,104,168	\$601,376

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

- Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures as of December 31, 2003 exceeded appropriations in the Issue II Capital Project Fund by \$49,496.
- Contrary to Ohio Revised Code Section 5705.41(D), the Township did not certify the availability of funds for certain expenditures during 2003 and 2002.
- Contrary to Ohio Constitution, Article XII, Section 5a, interest earnings in 2003 and 2002, in the amounts of \$10,196 and \$11,972, respectively, were not properly credited to certain funds.
- Contrary to Ohio Revised Code Section 5705.38, the Township amended their appropriations without the approval of the Board of Trustees.
- Contrary to Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16, the Township made transfers and advances without proper Board authorization.

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**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Police Station Construction Note	\$29,296	6.875%

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

5. **DEBT** (continued)

Note proceeds of \$113,660 in 1995 were issued to finance construction of a new police station. Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31,	Police Station Construction Note
2004	\$15,907
2005	15,907
Total	<u>\$31,814</u>

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 2003 and 2002, 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, 2003.

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

LAFAYETTE TOWNSHIP
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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, 2003, 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.

On October 26, 2004, the Township settled a claim against the Police Department and a former police chief in the amount of \$10,000.

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

Board of Trustees
Lafayette Township, Medina County
6776 D Wedgewood Road
Medina, OH 44256

We have audited the financial statements of Lafayette Township, Medina County (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 29, 2005. The report was qualified because we were unable to satisfy ourselves about fund cash balances for the years ending December 31, 2003 and December 31, 2002. Except as discussed in the preceding sentence, 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that is required to be reported under *Government Auditing Standard* which is described in the accompanying Schedule of Findings and Questioned Costs as Items 2003-001 through 2003-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 29, 2005.

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

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involving matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reported conditions are described in the accompanying Schedule of Findings and Questioned Costs as Item 2003-007.

A material weakness is a 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 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, the reportable condition described above, we consider to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated March 29, 2005.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

March 29, 2005

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

<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>
2001-40952-001	ORC Section 5705.10	Yes	Corrected
2001-40952-002	ORC Section 5705.38	No	Not Corrected, Reissued as Finding 2003-001
2001-40952-003	ORC Sections 5705.14, 5705.15 and 5705.16	No	Not Corrected, Reissued as Finding 2003-002
2001-40952-004	ORC Section 5705.41(B)	No	Not Corrected, Reissued as Finding 2003-003
2001-40952-005	ORC Section 5705.41(D)	No	Not Corrected, Reissued as Finding 2003-004
2001-40952-006	Ohio Constitution, Article XII, Section 5a	No	Not Corrected, Reissued as Finding 2003-005
2001-40952-007	Material Weakness	No	Not Corrected, Reissued as Finding 2003-006
2001-40952-008	Material Weakness	Yes	Corrected
2001-40952-009	Reportable Condition	No	Finding no longer valid; we did not perform management functions and correct the bank reconciliations and make corrections to books as may be necessary.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONCOMPLIANCE CITATIONS

Finding Number 2003-001

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 2003 and 2002, 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.

Finding Number 2003-002

Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 provides guidelines pertaining to allowable interfund transfers. The Township authorized a transfer of \$75,000 from the Road and Bridge Fund to the General Fund and obtained approval from the Tax Commissioner but did not obtain approval from the Court of Common Pleas. Also, a transfer of \$10,000 was made from the General Fund to the Police District Fund without proper Board authorization.

The Township also made an advance from the Permissive Motor Vehicle License Tax Fund to the Motor Vehicle License Tax Fund without a Board resolution.

All transfers and advances should be made through a Board resolution and have the proper approvals as required by Sections 5705.14, 5705.15 and 5705.16, Revised Code.

Finding Number 2003-003

Ohio Revised Code Section 5705.39 requires that no taxing unit is to appropriate expenditures in excess of estimated revenues.

At December 31, 2002, appropriations exceeded estimated resources in the Permissive Motor Vehicle License Tax Fund by \$451.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

Finding Number 2003-004

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

During 2003, the Township incurred expenditures of \$49,496 in the Issue II Capital Project Fund established during the year without having authorized appropriations. The Township needed to issue an Amended Certificate of Estimated Resources to the County Auditor when it was realized there would be additional funding received and the Board should have amended the appropriation so that expenditures could have been incurred legally.

Finding Number 2003-005

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 2003-2002, 35 out of 80 expenditures tested (44%) 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 implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Revised Code Section 5705.41.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

NONCOMPLIANCE CITATIONS (Continued)

Finding Number 2003-006

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:

<u>Funds Entitled to Interest</u>	<u>2003</u>	<u>2002</u>	<u>Total</u>
Motor Vehicle License	\$25	\$0	\$25
Gasoline Tax	542	794	1,336
Permissive Motor Vehicle License Tax	379	897	1,276
Total	<u>\$946</u>	<u>\$1,691</u>	<u>\$2,637</u>

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.

Finding Number 2003-007

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.

LAFAYETTE TOWNSHIP
MEDINA COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

From January 1, 2002 through December 31, 2003, the Township did not fully reconcile the balance of the bank and the balance of the cash in the accounting records. At December 31, 2003 and 2002 there were unreconciled differences of \$4,757 and \$1,022, respectively (the bank is in excess of the books). The annual reports for fiscal years 2003 and 2002 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.

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.



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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
JUNE 16, 2005**