



**Auditor of State  
Betty Montgomery**

# LAFAYETTE TOWNSHIP PERFORMANCE AUDIT

AUGUST 1, 2006



## Auditor of State Betty Montgomery

To the Residents and the Board of Trustees of Lafayette Township:

In 2005, the Trustees of Lafayette Township requested that the Auditor of State complete a performance audit of some aspects of Township operations. The Trustees requested that the performance audit be conducted to provide a resource that could be used in its proactive efforts to identify potential areas for improvement, as well as to help improve its current and future financial condition.

The performance audit contains assessments of financial systems including economic development, human resources, and police operations, and includes a financial forecast of the Township's General Fund and Police Fund. The information contained within the report is intended to assist the Township in its efforts to improve service delivery, optimize operational efficiency and effectiveness, project its future financial condition, and improve its financial standing. The Township is also encouraged to continually monitor and assess its operations to identify additional areas for improvements.

An executive summary has been prepared which includes the project history, objectives, scope, and methodology of the performance audit. The executive summary also includes a summary of commendations, recommendations, matters for further study, and financial implications. This report has been provided to Lafayette Township and its contents have been discussed with the Board of Trustees and other appropriate officials. The Township has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit is accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

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

BETTY MONTGOMERY  
AUDITOR OF STATE

August 1, 2006



# **Executive Summary**

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## **Project History**

Lafayette Township (Lafayette or the Township) engaged the Auditor of State's Office (AOS) to conduct a performance audit of the financial systems (including economic development), human resources, and police department operations. The Township Trustees also requested that the AOS prepare a financial forecast for the General and Police Funds to help determine the Township's current and future financial condition.

## **Township Overview**

Lafayette Township is a northeast Ohio community located near the center of Medina County. Officially established in 1832, Lafayette Township encompasses 23.2 square miles and is contiguous with the City of Medina, and York, Chatham, Westville, and Montville Townships. Lafayette is predominantly a residentially zoned community with very little commercial/industrial zoned land available for development. As a result, approximately 95 percent of taxes collected in Lafayette Township came from residential and agricultural properties in 2004. The Township has approximately 5,500 residents based on the 2000 census with a median income of \$52,067 and unemployment rate of 2.9 percent.

The Township is governed by a locally elected three member Board of Trustees. The Trustees serve a four-year term and are entrusted by the community to protect and to preserve the community's investment. In this capacity, the Trustees must assign competent personnel and establish efficient procedures to ensure sound management of fiscal affairs. The Township Clerk is the legally designated fiscal officer for the Township and is also elected to a four-year term. The Clerk is independent of Lafayette's Board of Trustees, yet by law, must work closely with the Trustees in managing the financial operations of the Township. The Clerk works on a part-time basis and is expected to develop an efficient and effective procedure for fiscal accounting. The Clerk is also required to submit the budget to the County Budget Commission in a timely manner, present the budget to the Trustees and the public, and record Township Trustee meeting minutes.

The Township provides general government services including police, fire, zoning, and road maintenance. Local property taxes are the Township's primary funding source, representing 61 percent of the Township's total revenues in 2005 for all funds. The Township uses 0.4 inside mills to support the General Fund (Trustees and Clerk) and two continuous operating levies (4.0 voted mills, 2.7 effective mills) to support the Police Fund. The inside millage generates

approximately \$50,000 annually in local tax revenue for the General Fund while the Police Fund levies generate approximately \$306,000 annually. Lastly, the Township uses 2.6 inside mills to support road maintenance and a 3.5 mill levy (3.2 effective) to support fire and ambulance services. The inside millage for road maintenance generates approximately \$284,000 annually while the fire and ambulance levy generates approximately \$390,000 annually. The zoning function is supported through user charges and does not receive property tax monies.

Employee wages and benefits are the largest expenditures for the Township and represented approximately 51 percent of the Township's total expenditures in 2005 for all funds. In addition to the three Trustees and the Clerk (General Fund), the Township employed 4.7 FTEs in the Police Department, 2.2 FTEs in the Road and Maintenance Department, and 1.0 full-time Fire Chief and numerous volunteers in the Fire Department at the end of 2005. Zoning services are provided through contracted personnel who receive stipends rather than wages and benefits. None of the Township's employees are members of a union.

## **Objectives and Methodology**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between December, 2005 and June, 2006. The goal of the performance audit is to assess the selected areas of the Township's operations and to develop recommendations based on comparisons with peer townships and other benchmarks. The ensuing recommendations comprise options that the Township can consider in its continuing efforts to improve operating efficiency and effectiveness.

This performance audit assessed key operations of Lafayette Township in the areas of financial systems (including economic development), human resources, police operations, and financial forecasting. Specifically, the objectives of the audit were to analyze Lafayette's current and future financial condition in the General and Police Funds through the development of five-year financial forecasts, and to assess the Township's cash and investment management practices, budgeting and purchasing processes, internal control structure, and economic development activities. The ensuing recommendations are designed to improve the Township's financial planning, reporting and management processes, and to enhance its ability to promote economic development, thereby increasing the tax base. Additionally, in the human resources section, the audit includes an assessment of the Township's staffing and salary levels, as well as an evaluation of the Township's employment policies and benefits administration. Lastly, the audit provides recommendations to enhance operations and reduce costs within the Police Department.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with Township personnel, and assessed requested information from the comparison (peer) townships. These townships include Brunswick Hills Township and Guilford Township in Medina County, Randolph Township in Portage County,

and Russell Township in Lake County. These Townships were selected as peers based on reviews of demographic information and service provision, as well as input from the Township Trustees. Brunswick Hills, Guilford and Randolph were used as peers in the **financial systems** and **human resource** sections. Because Guilford and Randolph do not operate full-time police departments (they contract with the respective County Sheriffs), Russell and Brunswick Hills were used as the peer townships in the **police operations** section and in the police staffing and salary assessments in **human resources**. Best practice information from the Government Finance Officers' Association (GFOA), the State Employment Relations Board (SERB), the Kaiser Family Foundation, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and other applicable sources were also used as a basis for comparison.

The performance audit involved significant information sharing with the Township Trustees, including preliminary drafts of findings and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the Township of key issues impacting selected areas, and to share proposed recommendations to improve operational efficiency and effectiveness. Throughout the audit process, input from Township personnel was solicited and considered when assessing the selected areas and framing recommendations. Finally, the Township was given an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express their appreciation to Lafayette Township and the peer townships for their cooperation and assistance throughout this audit.

## **Commendations**

Commendations acknowledge significant accomplishments or exemplary practices. The following are commendations that were identified during the course of the performance audit.

### *Financial Systems*

- Lafayette Township achieves higher investment revenues in comparison to the peers, and obtains interest rates that are similar to the Ohio State Treasury Asset Reserve (STAR Ohio). In addition, the Township's interest revenues increased approximately 30 percent in 2005.

### *Human Resources*

- The Township has reduced its workers' compensation claims and experience modifier each year since 2003. In addition, the Drug Free Workplace and Transitional Work programs should help the Township maintain its low cost for workers' compensation insurance in the future.
- By purchasing uniforms directly from the supplier or reimbursing employees for uniform purchases rather than providing annual stipends, the Township ensures that uniforms are purchased as needed and the funds are spent in an appropriate manner.

### *Police Operations*

- The Township is commended for achieving a 65 percent reduction in the cost of Police Department overtime in 2005, which is due to improved monitoring and the enactment of policies to limit overtime use. In addition, the Township should be able to achieve additional cost reductions in 2006 by continuing these practices.
- By contacting multiple vendors for price quotes and establishing corporate accounts at various office supply stores, the Lafayette Police Department (LPD) has been able to receive supply and material costs which are lower than the peers.

## **Forecast Conclusions**

The Township is projected to achieve positive ending fund balances within the General Fund throughout the forecast period without considering the performance audit recommendations. If the Township does not implement any of the performance audit recommendations, the surplus in the General Fund is estimated to be approximately \$219,000 in 2010. The surplus would increase to approximately \$275,000 in 2010 if the Township implemented all of the performance audit recommendations. In contrast, the Township is projected to have operating deficits in the Police Fund each year during the forecast period, with or without consideration of the performance audit recommendations. If the Township does not implement any of the performance audit recommendations, the deficit in the Police Fund is estimated to be approximately \$336,000 by 2010. The deficit would decline to approximately \$120,000 in 2010, if the Township implemented all of the performance audit recommendations.

Based on the projected deficits in the Police Fund, the Trustees should begin working to identify a long-term solution for restoring financial stability. In dealing with this issue, the Township has three basic options:

- **Transfers** – The forecasts show that it will be possible for the Township to continue current operations in the short-term by regularly transferring monies from the General Fund to the Police Fund. However, this should be viewed as a temporary solution as the Police Fund’s future operating deficits will likely exceed the surplus balances in the General Fund.
- **Cost Reductions** – The Township is encouraged to analyze its own operations to identify other cost savings and revenue enhancement options not identified in this performance audit. For example, the forecasts assume that the Township will grant three percent wage increases to all employees throughout the forecast period. If the Trustees granted lower wage increases, the savings generated would reduce the projected deficits within the Police Fund. However, even if wages were held constant at 2005 levels from 2006 to 2010, all of the performance audit recommendations were implemented, and no other changes are made to the forecast, deficits would still be projected in the Police Fund for each forecast year.
- **Tax Levy** – If additional cost reductions are not feasible or are not sufficient to eliminate the projected deficits, it may be necessary to propose a new tax levy to ensure long-term stability. However, prior to taking this action, the Trustees should first demonstrate accountability to the citizens by implementing the recommendations in this performance audit. For example, the Township may not need a new tax levy if it realizes an increase in revenues higher than estimated as a result of implementing the performance audit recommendations relating to economic development. In addition, by implementing the performance audit recommendations relating to cash management and internal controls, the Trustees will ensure that the Township is in a position to properly account for the use of any new tax revenues.

## **Key Recommendations**

The performance audit contains several recommendations pertaining to Lafayette Township operations. The following are the key recommendations from the report:

### *Financial Systems*

- The Township should strengthen existing internal controls to minimize risks involved in the budgeting and purchasing processes. Specifically, the Trustees should assist the Clerk in the development of an internal control structure which would help establish a formal banking and accounts payable cycle, eliminate unapproved manual overrides of flags in the accounting system, improve management reporting, ensure bank reconciliations are completed accurately and timely, obtain Trustee approval for transfers and investments

beforehand, and limit the use of blanket purchase orders. In addition, the Trustees should develop formal policies discussed throughout the audit, including a policy requiring bank reconciliations to be completed by a specific date each month.

- The Clerk should work with the Trustees to develop a comprehensive purchasing manual. The manual should clearly delineate approval paths; explain purchasing authority, distribution and receiving procedures, and disposal of obsolete and surplus property; and reiterate statutory requirements. Furthermore, the manual should outline key purchasing policies and procedures regarding competitive bidding, requests for proposals, and vendor performance monitoring. The manual should also provide users with current step-by-step instructions for making purchases. Once implemented, compliance with the policies and procedures should be monitored throughout the year.
- In conjunction with the development of a formal purchasing manual and the improvement of internal controls, the Township should clearly delineate purchase order approval paths to ensure that all proposed purchases are approved beforehand. In addition, given the impact the purchasing process has on the integrity of the Township's financial system, the Trustees should consider revising the entire process and no longer providing department heads with pre-printed purchase order forms.
- The Trustees should adopt a policy requesting that the Clerk prepare a formal monthly reporting packet that contains financial reports that will help in managing the Township's operations. At a minimum, the monthly report packet should contain a copy of the bank reconciliation and reports summarizing the Township's interest receipts, investment activities, overtime usage, and budgetary status.
- During the process of developing the new comprehensive plan for economic development, the Township should consider conducting a new survey of the residents to determine their current thoughts and feelings about commercial, industrial, and residential development. The overall philosophy of the new plan should be tailored to the results of the survey. When developing the survey, the Township should clearly convey the benefits and costs of development. For example, while expanding commercial and industrial development would alter the demographic makeup of the Township, it would generate additional revenue to support Township services. As a result, this would potentially minimize the future tax burden on residents. Regardless of the survey results, the new plan should be designed to include the items missing from the 1987 plan and strategies to overcome the identified barriers noted in **R2.13**.
- The Township should designate one of the Trustees to be responsible for centralizing its economic development activities. This person should function as the Township's liaison in interacting with the Chamber of Commerce (**R2.16**), the Ohio Department of

Development (R2.16), the Community Improvement Corporation (R2.17), and other interested parties. This person should also be responsible for overseeing the web site development as it relates to economic development (R2.15), implementing and updating the comprehensive plan (R2.13), and tracking economic indicators and reporting them to the Board of Trustees.

- Lafayette should consider allowing some economic development in the commercially zoned property on the outskirts of the Township. The Township should also consider petitioning the Planning Commission and Zoning Commission to provide more areas of land that could be zoned for commercial or industrial purposes. However, prior to allowing commercial or industrial development and requesting any zoning modifications, the Township should make sure that these proposed changes are consistent with the land use plans and survey results contained in the updated comprehensive plan.
- Lafayette should consider petitioning the County to extend water and sewer lines throughout the Township. In addition to making central water and sewer services available to existing residents, this would also ensure that the necessary infrastructure is in place and available to accommodate any future residential and commercial/industrial development projects. At a minimum, and assuming the Township moves forward with commercial development, Lafayette should petition the County to extend the water and sewer lines to the commercially zoned property on the outskirts of the Township.

### *Human Resources*

- The Township should use a formal bid or quote process when selecting health and life insurance providers, and review the costs and plans provided by the Ohio Township Association Risk Management Authority (OTARMA). The Township should also consider requiring all full-time employees to contribute a portion of the monthly health insurance premium costs and addressing generous plan benefits (e.g., prescription co-pays and deductibles). Additionally, the Township should ensure that health insurance invoices are paid in a timely manner.
- The Township should consider hiring a part-time clerical employee to assist the Clerk in carrying out the financial functions of the Township. However, prior to advertising for this position, the Trustees should work with the Clerk to determine the number of hours, work schedule, job description, salary and acceptable qualifications for the position.
- Lafayette should consider reducing its service/road department staffing levels by 0.7 FTEs in order to be more comparable to the peers. Working with the municipal court to have traffic violators perform basic lawn maintenance and snow removal tasks or, if necessary, contracting for this function via a competitive bidding process would help the

Township operate with fewer service/road FTEs. In addition, the Township should investigate the feasibility of using its fire department staff with commercial drivers licenses (CDL) to drive snow plows in an effort to supplement the service/road personnel during large snowfalls.

- The Township should strive to maintain the existing staffing levels in the police department for the near future. However, as the Township continues to grow and implements strategies to increase its residential and commercial tax base, the Trustees should monitor police department staffing levels in relation to its financial condition and activity levels (calls for service, traffic violations, etc.), and adjust as necessary.

### *Police Operations*

- Lafayette should draft and approve a vehicle replacement plan that describes its strategy for vehicle replacement in future years. This plan should be updated periodically and include the number of vehicles to be replaced each year, the age, mileage, maintenance costs, and estimated cost at the time of replacement.
- Based on the low age, mileage and maintenance costs of LPD's fleet, its current staffing levels, and the level of policing activity, the Township should suspend purchasing new vehicles for at least three years and focus on continuing proper maintenance, which could extend the useful life of the vehicles. Implementing a formal vehicle rotation system whereby older vehicles are used as spares and for less strenuous duties (making court appearances, driving to training, etc.) would also assist in extending the useful life of the fleet. Additionally, if the Township decides not to pursue economic development and the Township's level of policing activity remains stable, it should consider reducing LPD's active fleet to three vehicles by selling the three oldest vehicles or using them as spares.
- The Township should consider purchasing an automated fuel management system to enhance the security, accountability and management control over the central fuel site, as well as to enable tracking of key data (e.g., gallons). In addition, the Township should allocate fuel costs to each department based on the respective use rates, and centrally track the fuel costs and gallons purchased to allow for easy cost comparisons.

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## **Additional Recommendations**

The following portion of this executive summary highlights additional recommendations from the audit report.

### *Financial Systems*

- Lafayette Township should closely examine the spending patterns indicated in **Tables 2-1** and **2-2**, and the cost reductions and revenue enhancements recommended in the human resources, police, and economic development sections of this report. Opportunities exist to increase revenues and reduce operating expenditures in certain areas without impacting the overall quality of service.
- The Trustees should request that the Clerk set regular hours each week to ensure that bank deposits are being made on a timely basis. In addition, the Township should consider adopting the three-day bank deposit waiver and opening a direct deposit account with STAR Ohio in order to reduce the volume of checks that must be deposited on a daily basis.
- The Clerk and Trustees should review the investment policy to determine if a formal Investment Advisory Committee (the Committee) is necessary to oversee the Township's investment activities. If the Township decides to establish a Committee, it should update the policy to clearly indicate the roles and duties of the Committee in future investment activities, and to formally define the size of the Committee and qualifications for membership. Furthermore, the Township should update the policy to clearly convey the role of the Trustees and Clerk. Lastly, the Township Clerk should correct prior errors in allocating interest receipts and ensure that future receipts are allocated in accordance with Ohio Constitutional requirements.
- The Township should adopt formal policies and procedures that establish key milestones and responsibilities for developing the annual budget. Such policies and procedures should ensure that the budget is adopted by December 31 while allowing for stakeholder input and improved accuracy. To ensure the budget is developed according to Lafayette's policies and goals, the Township should develop budget guidelines and instructions for each annual budget. In addition, the Township should prepare a budget document that contains detailed supporting materials highlighting the Township's goals, objectives and key issues for the ensuing year. The budget document should also include staffing levels and organizational information, and charts and graphs to improve the document's readability.

- Lafayette Township should consider joining consortiums, such as the Ohio Department of Administrative Services (DAS) and the Northeast Ohio Public Energy Council (NOPEC), to obtain discounted prices on commonly used items and utilities.
- The Township should re-design its web site to include information that would be useful to potential investors and homebuyers. Once the web site is complete, the Township should ensure that it is maintained and updated on a regular basis to include current information.
- The Township should become a member of the Medina Area Chamber of Commerce (MCOC), and collaborate with MCOC, the Ohio Department of Development (ODOD) and other similar organizations to take advantage of available economic development resources. In addition, the Township should use the results of its citizen survey and updated comprehensive plan to determine whether to establish a Community Improvement Corporation (CIC). Once the Township finds land suitable for development, obtains citizens' attitudes on further development via an updated survey, and ensures that central water and sewer services are available in applicable areas, the Trustees should consider using tax abatements as one method for attracting new businesses.

### *Human Resources*

- The Township should pay its workers' compensation premiums by May 15th in order to take advantage of the prompt pay discounts.
- Because the Township already has a low operating cost for the zoning function, the Trustees should carefully analyze the proposed contract with the County to ensure that all costs and benefits have been considered.
- To facilitate future monitoring and ensure timeliness in responding to calls for service, the Township should work with the Medina County Sheriff's Office to resolve the reporting inconsistencies concerning Police and Fire Department response times.
- Based on peer comparisons, the Township should consider re-evaluating Police Department salaries. However, prior to making any adjustments to the Police Department salaries, the Township should take steps to improve the financial condition of the Police Fund by implementing the recommendations in this performance audit and identifying other appropriate measures to increase revenues and reduce costs.

- The Township should consider revising its minimum call-in policy by guaranteeing only one hour of pay. In addition, the Township should require that employees give at least one day advance notice if they intend to use personal leave.

### *Police Operations*

- Although LPD has the lowest maintenance costs per vehicle, per citizen and per policing activity when compared to the peers, the Trustees should consider implementing a more formalized purchasing process so that more items are purchased in a competitive environment.
- The Trustees should consider decentralizing the budget development process to allow for more input from department heads. The Township should also consider developing and adopting a formal capital equipment plan. The plan should specify the Township's equipment needs, including timing and sequence, estimated costs, and potential funding sources. The Township should incorporate all computer equipment, software and proposed additions/upgrades into the formal capital equipment plan to help ensure that only necessary items are being purchased.
- LPD should frequently research and pursue all available grant funding opportunities. In order to effectively do so, Lafayette should consider developing formalized grants management procedures which would also facilitate cross-training and ensure operational continuity in the absence of personnel with knowledge of this function. LPD should also consider establishing a relationship with the Ohio Office of Criminal Justice Services (OCJS) to ensure that the Township is receiving all eligible grants.

## **Matters for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS identified the Township's Fire Department services as a matter for further study.

The Township's Fire Department is comprised of one full-time employee (Fire Chief) and volunteers who are paid a stipend based on the number and types of calls for which a response is required. Lafayette spent less than the peer average for fire and ambulance services in 2004 and 2005, in total and on a cost per fire/EMS call basis. However, Guilford and the Village of Seville have negotiated an agreement to combine their resources for fire and EMS services. As a result, Guilford has been able to achieve a cost per fire/EMS call which is significantly lower than Lafayette and the other peers. A detailed analysis of Fire Department operating practices was outside the scope of this audit. However, based on the cost per fire/EMS call reported by Guilford, the Trustees should consider the feasibility of negotiating a similar agreement with a neighboring community.

## Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Lafayette Township should consider for implementation. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

### Summary of Performance Audit Recommendations

	Estimated Annual Cost Savings	Estimated Annual Revenue Enhancements	Estimated Annual Costs	Estimated One-Time Costs
<b>R2.11</b> Eliminate late fees associated with the accounts payable function	\$1,400			
<b>R2.12</b> Join DAS purchasing consortium	\$7,400		\$110	
<b>R2.16</b> Join Medina County Chamber of Commerce			\$136	
<b>R2.18</b> Implement economic development initiatives		\$18,300		
<b>R3.1</b> Reduce health care costs through competitive bidding	\$27,000			
<b>R3.2</b> Require employee contributions towards health care	\$14,200			
<b>R3.3</b> Obtain prompt payment discount for workers compensation	\$1,000			
<b>R3.4</b> Hire a part-time clerical employee			\$20,600	
<b>R3.7</b> Reduce 0.7 FTEs in Service Department	\$29,000			
<b>R4.2</b> Suspend purchase of police vehicles for three years	\$20,000 (3-Year Avg.)			
<b>R4.4</b> Purchase and install a fuel management system				\$13,800
<b>Total Net Financial Implications</b>	<b>\$100,000</b>	<b>\$18,300</b>	<b>\$20,846</b>	<b>\$13,800</b>

Source: AOS Recommendations

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# Financial Systems

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## Background

This section of the performance audit focuses on the financial systems and economic development activities within Lafayette Township. The objectives are to assess the Township's cash management, budgeting, purchasing, and economic development practices, and to develop recommendations for improvements. To illustrate various operational issues, comparisons are made throughout this section to the following peer townships: Brunswick Hills Township (Brunswick Hills), Guilford Township (Guilford), and Randolph Township (Randolph). Information from other applicable sources was also used for comparison purposes, including the Government Finance Officers Association (GFOA) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### *Organization Structure & Function*

Lafayette Township is located within Medina County, Ohio and has a population totaling 5,476. The Township operates on a governmental funds budget of approximately \$1.5 million, with local taxes representing the largest revenue source (58 percent of total revenues) and public safety representing the largest expenditure (47 percent of total expenditures). The Township is responsible for providing general government services including road and bridge maintenance, police and fire protection, and emergency management services.

The Township operates under the governance of a locally-elected three member board, with each Trustee serving a four-year term. The Lafayette Township Board of Trustees (Board or Trustees) is ultimately responsible for Township finances. In practice, the Trustees act as advisors, spending various amounts of time working with the Clerk to manage the Township's administrative and financial affairs. The Trustees are entrusted by the community to protect and to preserve the Township's investments. In this capacity, the Trustees must assign competent personnel and establish efficient procedures to ensure the sound management of fiscal affairs.

Also elected to a four-year term, the Township Clerk is the legally designated fiscal officer for the Township [Ohio Revised Code (ORC) Section 5705.01]. The Clerk is independent of the Trustees, yet by law, must work closely with them, especially on financial matters. In other words, the Clerk is the administrative officer elected by the citizens to advise the Trustees in financial planning and budgetary capacities. The Clerk works on a part-time basis and is expected to develop an efficient and effective procedure for fiscal accounting. The Clerk is also required to submit the budget to the County Budget Commission in a timely manner, present the budget to the Trustees and the public, and record Township Trustee meeting minutes. The

Township experienced turnover in the Clerk position in September, 2005 when the elected Clerk resigned in the middle of her term. As a result, the Township hired an interim Clerk as a temporary replacement until a Judge could appoint a Clerk to serve the remainder of the term. The new Clerk was appointed in January, 2006.

According to ORC Section 505.031, township trustees may appoint an administrator to act as the administrative head of the township under the supervision of the trustees. However, Lafayette has chosen to have each Trustee serve as the department head for one of the three departments at the Township (police, fire and service) rather than hire an administrator.

## Recommendations / Commendations

### Cash Management

**R2.1 Lafayette Township should closely examine the spending patterns indicated in Tables 2-1 and 2-2, and the cost reductions and revenue enhancements recommended in the human resources, police, and economic development sections of this report. Opportunities exist to increase revenues and reduce operating expenditures in certain areas without impacting the overall quality of service.**

Table 2-1 compares Lafayette's revenues by source and expenditures by object on a per citizen basis for all funds to the peers.

**Table 2-1: Revenues by Source, Expenditures by Object (Per Citizen)**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Guilford 2004	Randolph 2004	Peer Average
Local Taxes	\$155	\$169	\$279	\$124	\$108	\$170
Intergovernmental	67	85	105	66	81	84
Fines & Fees	12	15	27	17	5	16
Interest	4	5	2	3	1	2
Other	11	4	19	118	27	\$55
<b>Total Revenue</b>	<b>\$249</b>	<b>\$278</b>	<b>\$432</b>	<b>\$328</b>	<b>\$222</b>	<b>\$327</b>
Wages	\$81	\$83	\$156	\$46	\$58	\$86
Fringe Benefits	45	48	54	13	36	34
Purchased Service	59	53	49	62	30	47
Supplies & Materials	24	27	25	21	54	33
Capital Outlays	22	32	22	81	15	39
Debt Service	4	3	17	0	13	11
Other	1	9	1	4	1	2
<b>Total Expenditures</b>	<b>\$236</b>	<b>\$255</b>	<b>\$324</b>	<b>\$227</b>	<b>\$207</b>	<b>\$252</b>

Source: AOS Uniform Accounting Network

Table 2-1 shows that the Township's total revenues per citizen for 2004 and 2005 are lower than two of the peers and the peer average. This is due, in part, to Guilford's significantly higher other revenues per citizen. Guilford's other revenues are inflated by \$520,000 due to lease proceeds (used to finance various public works projects and equipment) that were received from the Ohio Township Association in 2004 and a refund of \$100,000 received from the Village of Seville. If these items are removed, the revised

total revenues for Guilford equal \$215 per citizen in 2004, which is lower than Lafayette. Lafayette's lower fine and fee revenues in comparison to Brunswick Hills are due to lower zoning and court fee receipts. For example, Brunswick Hills received \$128,714 in court and zoning fees in 2004 while Lafayette collected only \$22,837. The lower court and zoning fees can be attributed to not making economic development a priority in the past and having less police activity than Brunswick Hills (see **R2.18** and **R3.6**). Guilford's higher fee collections are due to the receipt of approximately \$83,000 in customer billings for EMS services. Guilford and the Village of Seville combine their resources to staff a full-time fire department, which has resulted in increased cost efficiency (see **issues for further study** in the **human resources** section).

The Township's total expenditures per citizen were higher than two of the peers in 2004. The specific areas where the Township was significantly higher include the following:

- **Wages** - Lafayette's higher wage costs per citizen are due to Guilford and Randolph not operating full-time police departments (they contract with the respective County Sheriffs). Lafayette spent \$185,970 on police department wages in 2004. If these are removed from consideration, the revised expenditure for Lafayette equals \$257,849, or \$47 per citizen, which is in line with Guilford and lower than Randolph.
- **Fringe Benefits** – Lafayette's fringe benefit costs were higher than two of the peers and the peer average in 2004. In addition, Lafayette's fringe benefit costs as a percentage of wages (58 percent) were higher than Brunswick Hills (35 percent), Guilford (28 percent) and the peer average (40 percent). The higher fringe benefit costs are due to the Township not using competitive bidding to select a health insurance provider, generous plan designs, and an untimely payment history. See **R3.1** for an additional discussion concerning the Township's health insurance.
- **Purchased Services** – Lafayette's purchased services were higher than Brunswick Hills and Randolph Township in 2004. The higher costs are due to the Police Department's mobile data terminal (MDTs) lease agreements. Brunswick Hills does not have vehicles equipped with MDT's while Randolph contracts with the County Sheriff's Office for policing services.

**Table 2-1** also shows that Lafayette's total expenditures per citizen increased by \$19 from 2004 to 2005, due in part to the increases in capital outlay expenditures of \$10 per citizen from 2004 to 2005. This increase can be attributed to the installation of an early warning weather system, and the purchase of specialized fire equipment.

**Table 2-2** compares the Township's expenditures per citizen by function to the peers.

**Table 2-2: Expenditures by Function (Per Citizen)**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Guilford 2004	Randolph 2004	Peer Average
General Government	\$42	\$48	\$57	\$29	\$49	\$45
Public Safety	102	120	190	68	54	104
Public Works	65	52	36	45	75	52
Capital Outlay	22	32	22	81	15	39
Debt Service	4	3	17	0	13	10
Other	1	0	2	4	1	2
<b>Total Expenditures</b>	<b>\$236</b>	<b>\$255</b>	<b>\$324</b>	<b>\$227</b>	<b>\$207</b>	<b>\$252</b>

Source: AOS Uniform Accounting Network

**Table 2-2** shows that the Township spent more than two of the peers for the public safety and public works functions in 2004, which are explained below:

- Public Safety** – Lafayette’s public safety expenditures per citizen were significantly higher than both Guilford and Randolph in 2004. The public safety expenditures include all expenses incurred for providing police, fire, and emergency management services. As stated previously, the higher public safety expenditures are due to Lafayette having a full-time police department while Guilford and Randolph contract with their respective County Sheriff’s Offices for policing services. **Table 2-2** also shows that Lafayette’s public safety expenditures increased \$18 per citizen, or approximately 18 percent, from 2004 to 2005. This is due to an increase in salary costs in the Township’s fire and rescue fund. See **issues for further study** in the **human resources** section of this report for discussion of fire department operating costs.
- Public Works** – Lafayette’s 2004 public works expenditures were higher than the peer average by \$13 per citizen. The large expenditures are related to the Township’s Gasoline Tax Fund and Road and Bridge Fund. According to ORC Section 5735.27, gasoline taxes shall be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear and clean public highways, roads, and streets. In 2004, Lafayette incurred expenditures from the Gasoline Tax Fund of \$99,865, while the peers’ expenditures were consistent at approximately \$68,000. In addition, Lafayette spent \$127,619 on salaries and benefits from the Road and Bridge Fund, much higher than Brunswick Hills (\$78,376) and Guilford Township (\$42,247). This is primarily attributable to higher staffing levels within the road/service department (see **R3.5** in **human resources**).

Lastly, **Table 2-2** shows that Lafayette's public works expenditures declined approximately 20 percent in 2005 due to a reduction in contracted road improvement projects paid from the Gasoline Tax Fund and the Permissive Fund. For instance, Lafayette spent \$99,865 on contracted road improvements from the Gasoline Tax Fund in 2004, and only \$15,324 in 2005.

**R2.2 The Trustees should adopt a policy requesting that the Clerk prepare a formal monthly reporting packet that contains financial reports that will help in managing the Township's operations. At a minimum, the monthly report packet should consist of the following items:**

- **Bank reconciliations (R2.3);**
- **Interest revenue reports (R2.5);**
- **Investment reports (R2.5);**
- **Overtime reports showing comparisons to the prior year (C4.1 in police); and**
- **Budget reports showing budget vs. actual information (R2.7 and R4.3 in police).**

**The Trustees should also consider requesting that the Clerk lead a brief discussion of these reports at the Board meeting on a monthly basis. This would help ensure that the Trustees and department heads are provided with the appropriate financial information and that they understand the information in the reports.**

During the past several years, the only financial information the Trustees received from the Clerk consisted of a report showing cash balances by fund and a budget status report. Although these reports were supposed to be prepared and submitted on a monthly basis, the Trustees indicated that they did not consistently receive these reports and that in the past, they would not be briefed on financial reporting for several months at a time. In addition, the Trustees indicated that when the reports were prepared, the prior Clerk typically would not conduct a presentation to discuss the meaning behind the reports. As a result of this and weak financial management practices fostered in the past (see **R2.3, R2.4, R2.9, R2.11**), the Trustees and department heads often have managed the Township's operations without an understanding of the true financial situation.

**R2.3 The Trustees should adopt a policy requiring bank reconciliations to be completed by a specific date each month. For example, the policy could indicate that the bank reconciliation must be completed by the last Board meeting of each month in order to facilitate discussions. In addition, the Trustees should specify within the policy that the Clerk present a hard copy of the monthly bank reconciliation and include a brief description of all reconciling items as part of the monthly report packet discussed in R2.2. These steps will help ensure that future bank reconciliations are completed in a timely and accurate manner.**

Lafayette Township has received citations in past financial audits for its failure to complete bank reconciliations on a timely basis. In addition, the last financial audit indicated that from January 1, 2002 through December 31, 2003, the Township did not fully reconcile the bank balance and the cash balance in the accounting records. For example, the financial audit noted that at the end of 2002 and 2003, there were unreconciled differences of \$1,022 and \$4,757, respectively (the bank is in excess of the books). According to the Trustees, when the prior Clerk resigned in September, 2005, the bank reconciliations still were not being completed in a timely manner and had unexplained variances.

After being appointed in December 2005, the interim Clerk worked to get all bank reconciliations for 2005 completed accurately. During this process, the interim Clerk found a discrepancy that showed the bank cashing an old check to the Bureau of Workers' Compensation (BWC) for an incorrect amount. This discrepancy resulted in the Township having a past due outstanding balance of \$28,000 at BWC. However, because bank reconciliations were not being completed timely and accurately, the Township's accounting records showed the workers' compensation invoices as being paid-in-full. As a result of the unpaid balance, BWC was going to remove the Township from its group rating plan, which would have cost the Township at least \$50,000 in additional premiums. See the **human resources** section for additional discussions concerning workers' compensation.

- R2.4 The Trustees should request that the Clerk set regular hours each week to ensure that bank deposits are being made on a timely basis. In addition, the Township should consider adopting the three-day bank deposit waiver policy in order to provide the Clerk with some flexibility if money cannot be deposited within 24 hours. Lastly, the Township should consider opening a direct deposit account with STAR Ohio in order to reduce the volume of checks that must be deposited on a daily basis. Taking these steps would allow for compliance with ORC requirements, help improve the accuracy of the Township's financial reporting, and minimize the risk of lost or stolen checks. Hiring a qualified part-time clerical employee as discussed in R3.4 should also help the Township implement this recommendation.**

Lafayette Township has received financial audit citations in the past for not depositing money with the bank in a timely fashion. ORC § 9.38 requires all monies received by government entities to be deposited at a bank within 24 hours of receipt. In some instances, the deposit can be made within three days of receipt, if the Township adopts a policy waiver. The Trustees indicated that the prior Clerk never submitted a request to adopt the three day waiver. However, the waiver would not have mattered in the past based on the timing of the deposits. For example, the 2000 and 2001 financial audits noted that \$886,608 and \$829,058 of deposits were made more than one month after the monies were received. The Trustees indicated that the timeliness of deposits continued to

be a problem through 2005. By failing to deposit money with the financial institution on a daily basis, the Township increases the risk of these monies being lost or misappropriated. In addition, the Township is reducing its available cash, thus increasing the chances that it could overdraw its bank accounts.

ORC Section 3501.01 and 3503.02 indicates the qualifications needed to be a Township Clerk, including the following in order to be eligible for election as a township officer:

- A citizen of the United States;
- 18 years of age or older;
- A resident of the state, county, and precinct for 30 days preceding the election; and
- Registered to vote.

The ORC does not define the number of hours or work schedule to be maintained by a township clerk. According to the Trustees, the prior Clerk did not maintain a regular work schedule. As a result, bank deposits were completed in batches when it was convenient rather than when required by state law. This inhibited the Trustees from understanding the true financial picture of the Township. For instance, the Trustees noted that due to the lack of timely bank deposits, the Township's financial statements would show a fund deficit in one month and then large surpluses the next month. Further, the Township does not have any direct deposit agreements in place to eliminate the need to prepare formal deposit slips, and transport cash and checks to the bank.

All three of the peer townships have accounts with STAR Ohio (State Treasury Asset Reserve), which is an investment pool managed by the Ohio Treasurer of State. STAR Ohio allows members to establish direct deposit agreements to have all state monies (Local Government Funds, Gas Taxes, Permissive Taxes, etc) automatically deposited into the entity's STAR Ohio account. STAR Ohio advertises that the benefits of membership include the following:

- 24-hour access to information on accounts;
- Daily deposits and withdrawals without penalties;
- Payment of interest on all deposits;
- Competitive investment yields;
- Full-time portfolio management provided by a professional;
- Low costs; and
- Strict adherence to the State statutes under the Uniform Depository Act.

All governmental agencies within Ohio are eligible to invest interim monies with STAR Ohio.

*Investment Management*

**R2.5 The Clerk and Trustees should review the investment policy to determine if a formal Investment Advisory Committee (the Committee) is necessary to oversee the Township's investment activities. If the Township decides to establish a Committee, it should update the policy to clearly indicate the roles and duties of the Committee in future investment activities, and to formally define the size of the Committee and qualifications for membership. The Trustees should also consider updating the policy to stipulate that the Clerk present a monthly investment report (see R2.2) to the Trustees and Committee (if applicable) that shows the principal value, market value, rate of return and maturity date for each of the Township's investments. In addition, the policy should require that all investment options be discussed with the Trustees and Committee (if applicable) prior to the Clerk signing a depository agreement.**

**Furthermore, the Township should update the policy to clearly convey the role of the Trustees and Clerk. For example, the policy could indicate that the Clerk will be responsible for handling the daily banking activities and representing the Township in all banking contracts while the Trustees will help the Clerk in making investment decisions and overseeing the performance of the investments. Taking these actions will provide the Trustees and the public with greater assurance that the Township's monies are being invested in an appropriate manner.**

Lafayette Township has an investment policy, consistent with ORC Section 135.14, to govern its investment activities. The purpose of the investment policy is to provide for the complete safety of the portfolio's principal value, assure adequate liquidity, and earn a market rate of return. While the policy indicates that Clerk or other authorized persons are responsible for the investment activity, it does not explain the role of the Trustees. The policy also discusses a formal Investment Advisory Committee within the Township that is supposed to review the policy annually for compliance and to assure the flexibility necessary to effectively manage the investment portfolio. However, the Township's policy does not define the qualifications for membership on the Committee nor the number of members comprising the Committee. In addition, the Trustees indicated that there is no formal Investment Advisory Committee in actual practice and regular investment reviews did not take place in the past. Furthermore, the Trustees indicated that they were not familiar with how the previous Clerk was investing the money nor did they receive any type of investment reports in the past.

**C2.1 Lafayette Township achieves higher investment revenues in comparison to the peers, and obtains interest rates that are similar to STAR Ohio. In addition, Tables 2-4 and 2-5 show that the Township's interest revenues increased approximately 30 percent in 2005.**

**R2.6 The Township Clerk should correct prior errors in allocating interest receipts and ensure that future receipts are allocated in accordance with Ohio Constitutional requirements.**

ORC §135.14 stipulates that the treasurer or governing board of an entity may invest or deposit any part or all of its interim monies. The following classifications of obligations shall be eligible for such investment or deposit:

- United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency;
- Interim deposits in the eligible institutions applying for interim monies;
- Bonds and other obligations of this state; and
- No-load money market mutual funds.

Lafayette's current investments consist of certificates of deposit (CDs) and checking accounts, which are in compliance with ORC §135.14. **Table 2-3** shows Lafayette Township's investments as of March 29, 2006.

**Table 2-3: Lafayette Township's Investments**

Type of Investment	Current Value	Purchase Date	Maturity Date	Interest Rate
Certificate of Deposit	\$200,000	11/2/2005	5/2/2006	4.39%
Certificate of Deposit	\$200,000	1/30/2006	5/30/2006	4.69%
Certificate of Deposit	\$150,000	12/30/2005	3/30/2006	4.20%
Certificate of Deposit	\$200,000	3/3/2006	7/3/2006	4.77%
<b>Total Investments</b>	<b>\$750,000</b>		<b>Average Interest Rate</b>	<b>4.51%</b>

Source: Lafayette Township

**Table 2-3** shows that as of March 29, 2006, Lafayette had invested a total of \$750,000 in certificates of deposit that were earning an average interest rate of approximately 4.5 percent. By comparison, the current value of Randolph's total investments was \$269,252 on January 11, 2006, with an average interest rate of approximately 2.7 percent. In addition, Brunswick Hills and Guilford primarily use the Ohio State Treasury Asset Reserve (Star Ohio) to handle the majority of their investments. The overnight yield at Star Ohio was 4.5 percent on March 23, 2006. STAR Ohio is an investment pool managed by the Ohio Treasurer of State.

**Table 2-4** compares Lafayette's interest earnings from all funds to the peers on a per citizen basis.

**Table 2-4: Interest Receipts Per Citizen**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Guilford 2004	Randolph 2004	Peer Avg.
<b>Interest Receipts</b>	\$19,732	\$25,692	\$12,638	\$17,673	\$4,127	\$11,479
<b>Citizens</b>	5,476	5,476	5,469	5,447	5,504	5,473
<b>Interest per Citizen</b>	\$3.60	\$4.69	\$2.31	\$3.24	\$0.75	\$2.10

Source: AOS Uniform Accounting Network and 2000 Census

**Table 2-4** shows that Lafayette Township is receiving more in interest receipts than all of the peers, in total and on a per citizen basis. **Table 2-4** also shows that the Township increased its interest receipts by 30 percent in 2005.

**Table 2-5** compares the Township's interest receipts as a percentage of total revenues to the peers.

**Table 2-5: Interest as a Percent of Total Revenue**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Guilford 2004	Randolph 2004	Peer Avg.
<b>Interest Receipts</b>	\$19,732	\$25,692	\$12,638	\$17,673	\$4,127	\$11,479
<b>Total Revenue</b>	\$1,361,066	\$1,522,162	\$2,367,269	\$1,789,259	\$1,218,933	\$1,791,820
<b>Interest as a % of Total Revenue</b>	1.4%	1.7%	0.5%	0.9%	0.3%	0.6%

Source: AOS Uniform Accounting Network

**Table 2-5** shows that Lafayette Township's interest receipts represented 1.4 percent of the total revenues in 2004 while the peer average was only 0.6 percent.

Although **Tables 2-4** and **2-5** show that the Township is maximizing interest revenue when compared to the peers, the Township was cited in the 2003 financial audit for improperly recording interest receipts. For example, the financial audit noted that in 2002 and 2003, the Township erroneously recorded \$1,691 and \$946 of interest receipts in the General Fund that should have been posted to the Motor Vehicle, Gasoline Tax, and Permissive Motor Vehicle License Tax Funds. This violates the Ohio Constitution, Article XII, Section 5a, which indicates that money earned from the investment of motor vehicle and fuel taxes must follow the principal. As a result, the Township's General Fund interest receipts were overstated by approximately eight percent in 2002 and 16.5 percent in 2003 (two-year average of 12 percent). The Trustees indicated that the new Clerk is just beginning to correct this issue and that the 2004 and 2005 interest receipts within the General Fund are probably overstated as well. The potential overstatement in the General Fund has no impact on the figures reported in **Table 2-4** and **2-5** since these tables capture total interest receipts in all funds.

*Budgeting Practices*

**R2.7 The Township should adopt formal policies and procedures for the budget process that establish key milestones and responsibilities for developing the annual budget. Such policies and procedures should ensure that the budget is adopted by December 31 while allowing for stakeholder input and improved accuracy. For example, the Trustees could consider a policy that indicates that the formal budget process will begin in September with the Clerk preparing revenue estimates and department heads submitting their initial budget requests. The Trustees could then spend October and November reviewing the budget proposals from the department heads to ensure that they are consistent with the Township's goals, and that they are in line with the projected revenues. The Trustees could also work with the Clerk in October and November to review each revenue source in detail to ensure that all relevant issues have been considered and to begin preparing the formal budget document (see R2.8).**

**Developing the budget within this timeframe would allow the Trustees to use the first meeting in December as an opportunity to discuss budget issues and priorities with interested community members. The Township could then either adopt a temporary budget (if revisions are needed based on community input) or the final budget at the second Board meeting in December. To ensure the budget is developed according to Lafayette's policies and goals, the Township should develop budget guidelines and instructions for each annual budget.**

Lafayette's process for preparing the annual budget starts in early December. Each Trustee meets with the Clerk on an individual basis to discuss the payroll estimates, health insurance, and other similar cost estimates. Revenue estimates are based on the County Auditor's property tax certifications for the upcoming year and the Clerk's knowledge of the other revenues. Once the budget estimates are prepared, the Trustees collectively review the proposed budget, make any necessary changes and adopt it prior to year-end. Pursuant to ORC Section 5705.38(A), the Trustees are required to pass a temporary or permanent appropriation measure on or before January 1.

Although the Township's process complies with ORC Section 5705.38 (A), allowing only one month for budget development prevents the Township from obtaining input from department heads and the community. For example, the Police Chief indicated that he does not play an active role in determining the budget priorities or allocations for the Police Department. In addition, the Township does not hold special meetings to discuss budget priorities with the community prior to adoption.

The Township's one-month timeframe also does not allow for a thorough review of the projected revenues and expenditures. For example, the Township's 2006 budget projects

that revenues from tangible property taxes will increase slightly despite annual declines the last three years and the accelerated phase-out associated with HB 66 (see tangible property tax discussion in the **forecasting** section). In addition, the total General Fund revenues budgeted for 2006 (\$142,449) do not match the projections on the certificate of estimated resources provided by the County Auditor's Office (\$174,429). The Township does not have a formal policy outlining key milestones and responsibilities in the budget development process.

The Government Finance Officers Association (GFOA) recommends numerous elements for incorporation in the budget process that are encompassed within four general principles: establish broad goals (see **R2.8**), develop approaches, develop the budget, and evaluate performance. Some of the key elements include the following:

- Develop budget guidelines and instructions for each budget cycle to help ensure the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body;
- Develop a comprehensive budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks;
- Develop mechanisms to identify stakeholder concerns, needs and priorities, such as through public hearings, surveys, and meetings; and
- Monitor, measure, and evaluate budgetary performance, such as by reviewing budget-to-actual or budget-to-projected actual comparisons of revenues, expenditures, cash flow, and fund balance (see **R2.2**).

**R2.8 The Township should prepare a budget document that contains detailed supporting materials highlighting the Township's goals, objectives and key issues for the ensuing year. Furthermore, the document should be made available to the public and should identify financial trends and other factors affecting the budget, including the long-range outlook and expected tax collections, anticipated future borrowing, and projected ending fund balances. Lastly, the document should include staffing levels and organizational information, and charts and graphs to improve the document's readability. The GFOA has compiled guidelines for the preparation of recommended budget documents which the Township may find useful in this effort (also see R2.7).**

The Township's budget is primarily built on projections using historical information, and is not guided by a mission statement or specific goals and objectives. In addition, no formal budget document is prepared, published, or circulated. The only document prepared is the appropriation resolution, which quantifies anticipated expenditures, but

does not include explanations and justifications for spending levels. Furthermore, the appropriation resolution does not link planned expenditures to the accomplishment of the Township's goals and objectives, which limits accountability and prevents the community from evaluating the use of its tax dollars. According to the Government Finance Officers Association (GFOA), a good budget process is characterized by several essential features including the following:

- Incorporates a long-term perspective;
- Establishes links to broad organizational goals;
- Focuses budget decisions on results and outcomes;
- Involves and promotes effective communication with stakeholders; and
- Provides incentives to government management and employees.

These practices make it clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but should be strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals.

**R2.9 The Township should strengthen existing internal controls to minimize risks involved in the budgeting and purchasing processes. Specifically, the Trustees should assist the Clerk in the development of a formal internal control structure which would help establish a formal banking and accounts payable cycle, eliminate unapproved manual overrides of flags in the accounting system, improve management reporting, ensure bank reconciliations are completed accurately and timely, obtain Trustee approval for transfers and investments beforehand, and limit the use of blanket purchase orders.**

**In order to establish effective internal controls, the Township should develop the formal policies discussed in this section of the report, as well as written goals and objectives that include operational, financial reporting, and compliance objectives. This will help the Township communicate the importance of internal controls to employees at all levels of the organization, and inform them of their role in the internal control structure. The Clerk and Trustees should carefully review the existing internal control structure to identify other weaknesses and make adjustments accordingly. Furthermore, the Township should periodically review the internal control structure to identify any new or previously uncontrolled risks.**

Once the budget is adopted, the Township uses the Uniform Accounting Network (UAN) computer system to record accounting transactions and to monitor budgetary status. The UAN has automatic flags built into the system to prevent the entry of purchases that exceed the budget. However, the Trustees noted that the previous Clerk overrode the system and allowed deficit spending at the line-item level. As a result, the Township

received citations in past financial audits related to overspending of appropriations. Other internal control weaknesses that were identified in this performance audit and in past financial audits include the following:

- Lack of a regular bank deposit and accounts payable cycle has resulted in inaccurate financial reports and the potential for lost revenues and late fees (See **R2.5** and **R2.11**);
- Inaccurate and untimely bank reconciliations (See **R2.3**);
- Limited monthly financial reporting, which prevents management oversight and contributes to the current financial difficulties within the Police Fund (See **R2.2**);
- Lack of Trustee involvement in past investing transactions (See **R2.5**); and
- Frequent use of blanket purchase orders and “then and now” certificates, which limit appropriate levels of oversight. Then and now certificates can be used in cases where a purchase order was not issued before the purchase was made. In these cases, the then and now certificate verifies that a sufficient sum was appropriated and free of any encumbrances both at the time of the contract or order and at the time of the certificate. The frequent issuance of then and now certificates indicates that the Township is regularly bypassing the purchasing system.

The Township received a qualified opinion on the 2003 financial statements, due in part to the weak internal control structure in place at the Township. More specifically, the financial audit noted that the Township had several internal control deficiencies which could adversely affect its ability to record, process, summarize and report financial data.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. It was originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting. COSO broadly defines internal control as a process, affected by an entity’s board of directors (in this case the Trustees), management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

According to COSO, internal control consists of the following five interrelated components:

- **Control Environment** sets the tone of an organization, influences the control consciousness of its people, provides discipline and structure, and includes the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.
- **Risk Assessment** identifies and analyzes relevant risks to the achievement of the objectives, forming a basis for determining how the risks should be managed. Requires the establishment of objectives, linked at different levels and internally consistent, and the need to identify and deal with the special risks associated with change.
- **Control Activities** include the policies and procedures that help ensure management directives are carried out and necessary actions are taken to address risks, such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
- **Information and Communication** must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities, and must flow down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others.
- **Monitoring** of internal control systems to assess the quality of the system's performance over time, accomplished by ongoing monitoring activities, separate evaluations or a combination of the two.

The Massachusetts Comptroller's Office indicates that internal controls are tools that help agencies be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Moreover, internal controls provide reasonable assurance that management meets its obligations and fulfills its responsibilities. Designing and implementing internal controls is a continuous process – as conditions change, control procedures may become outdated and inadequate.

*Purchasing Practices*

**R2.10 The Clerk should work with the Trustees to develop a comprehensive purchasing manual. The manual should clearly delineate approval paths, explain purchasing authority, distribution and receiving procedures, disposal of obsolete and surplus property, and reiterate statutory requirements. Furthermore, the manual should include key purchasing policies and procedures, such as the following:**

- **Competitive pricing and quotes:** The policies should address dollar thresholds and types of purchases that are subject to competitive pricing. The policies should also address at what threshold written or verbal quotations should be obtained, and how documentation of the quotations will be maintained.
- **Requests for proposals:** The policies should require that requests for proposals be used for purchased services to ensure the Township obtains services at the best possible price, and that vendor selection is made objectively. Although RFPs will differ depending upon the service, the Township should work with its Legal Counsel to develop appropriate RFP templates and identify key items for inclusion in all RFPs, such as terms, conditions, evaluation process, performance expectations, and reporting requirements.
- **Vendor performance monitoring:** The Township should develop a policy that requires a vendor performance monitoring program. Information that should be monitored include: quality of goods and services, timeliness of deliveries, vendor responsiveness to problems, frequency of goods being out of stock, pricing variances, and complaints.

The manual should also provide users with current step-by-step instructions for making purchases. Each operational unit should be provided with at least one copy, distributed at a meeting during which the contents of the manual are reviewed in detail, so as to familiarize the attendees with the correct purchasing procedures. This manual should be updated and distributed to all operational units and departments on an annual basis or whenever significant changes occur. Once implemented, compliance with these policies and procedures should be monitored throughout the year.

The Township does not have a formal purchasing manual or policies that detail the required procedures for making a purchase. More specifically, the Township does not have any policies that stipulate when bidding, price quotes and requests for proposals are to be used to obtain goods and services.

According to the ORC Section 307.86, competitive bidding is required in the following circumstances:

- Purchasing materials, machinery and tools to be used in constructing, maintaining, and repairing roads and culverts, where the amount exceeds \$15,000;
- Contracting for the maintenance or repair of roads, where the amount involved exceeds \$15,000;
- Contracting for the construction and erection of a memorial building or monument;
- Contracting for equipment for fire protection purposes;
- Contracting for street lighting systems or street lighting improvements where the cost exceeds \$15,000; and
- Contracting for building modifications to yield energy savings.

Although the Township does not have a formal purchasing manual or policies, the Trustees indicated that the Township complies with the competitive bidding requirements stipulated in the ORC. In addition, the Township did not receive any citations related to competitive bidding during the 2003 financial audit. Nevertheless, the lack of a comprehensive purchasing manual, and formal policies and procedures creates greater risk in the purchasing process, including the possibility of unauthorized purchases. It also inhibits the Township from ensuring that it purchases goods and services from the “best” vendors.

According to the Texas State Board of Education in its *Financial Accountability System Resource Guide* (2003); a good purchasing manual typically will address the following items:

- Purchasing goals and objectives;
- Statutes, regulations and board policies applicable to purchasing;
- Purchasing authority;
- Requisition and purchase order processing;
- Competitive procurement requirements and procedures;
- Vendor selection and relations;
- Receiving;
- Distribution; and
- Disposal of obsolete and surplus property.

The Voinovich Center for Leadership and Public Affairs’ *Contract Management Manual* (2001) recommends numerous elements for inclusion in an RFP, including the following:

- Time table for the RFP process;
- Request that vendors submit a budget for the project or service;
- Detailed description of the services that will be performed under the contract;
- Vendor disclosures and a conflict of interest statement;
- Disclaimer indicating that the contracts resulting from the proposals are contingent on the availability of funds;
- Proposal delivery date, time, and address;
- Description of the evaluation process for proposals;
- Terms and conditions;
- Vendor project requirements and qualifications;
- Project deliverables, including performance expectations; and
- Reporting requirements.

The *Contract Management Manual* provides suggestions for planning and evaluating RFPs. It also indicates that monitoring vendor performance is an important step in contract management because it assures that services are delivered within terms of the contract and quality assurance standards are met.

**R2.11 In conjunction with developing the formal purchasing manual (see R2.10) and improving internal controls (see R2.9), the Township should clearly delineate purchase order approval paths to ensure that all proposed purchases are approved beforehand. In addition, given the impact the purchasing process has on the integrity of the Township's financial system, the Trustees should consider revising the entire process and no longer providing department heads with pre-printed purchase order forms. Rather, the Trustees should consider implementing a formal requisition process in which a department head completes a requisition (request) for a proposed purchase and then submits it to the appropriate Trustee for consideration. Assuming the Trustee agrees that the purchase is necessary and all policies have been followed (see R2.10), he or she would then approve the requisition and forward it to the Clerk for input into the UAN system and for funds availability certification. If the funds are available, the Clerk would then sign the requisition, assign a purchase order number and send a copy of the purchase order back to the department head to use in ordering the goods or services. If the proposed purchase exceeds the available budget, the Clerk should reject the requisition until the Trustees and department head make the necessary appropriation adjustments.**

**Implementing a process similar to the one outlined above will help eliminate many of the Township's past audit citations while also improving the integrity of the financial records. However, for the process to be timely and effective, the Clerk will need to maintain a regular work schedule (see R2.4), the Township will need to hire a qualified part-time clerical employee who can sign purchase orders in the absence**

**of the Clerk (see R3.4), and the department heads will need to be provided with budgetary reports on a monthly basis (see R2.2). By having the Clerk maintain a regular work schedule (see R2.4) and hiring a part-time clerical employee (see R3.4), the Township will also be better able to establish a regular accounts payable cycle (bi-weekly), which should eliminate the late fees and customer relation problems that occurred in the past.**

The Township has experienced problems in the past with purchase orders not being completed prior to department heads making purchases. More specifically, the 2003 financial audit noted that 35 out of 80 expenditures tested (44 percent) did not have the necessary approvals prior to incurring the obligations. ORC § 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditures of money unless the availability of funds has been certified by the Clerk prior to incurring the obligation.

The Township's non-compliance with ORC § 5705.41(D) is due, in part, to an inadequate purchasing process in which key steps are often bypassed. For example, the Trustees indicated that in the past, department heads would complete a purchase order and submit it to the Clerk for fund certification. However, the prior Clerk would often deny the purchase even if money was available because she felt the purchase was not needed. Consequently, the department heads began receiving permission for purchases from the Trustees without notifying the Clerk until they had already contracted with a vendor and had received the invoice. In these instances, the Clerk was forced to find ways to pay for purchases that were not encumbered beforehand. In addition, because department heads were not receiving monthly budgetary reports (see **R2.2**), these types of purchases were made without an awareness of the budget ramifications. The Township provides each department head with pre-numbered purchase order forms. Therefore, it is possible for department heads to place an order without having approvals from the Clerk or Trustees by verbally providing the vendor with the purchase order number.

The Township received a qualified opinion in the 2003 financial audit due to weak internal controls (see **R2.9**) and its non-compliance with ORC § 5705.41(D). Specific financial audit citations and other problems that have resulted from the Township's weak purchasing practices include the following:

- **Inappropriate Budget Modifications:** The 2003 financial audit cited the Township for modifying appropriations in the accounting system without prior approval from the Trustees. As a result of the budget modifications, the Township was also cited for having expenditures which exceeded the available revenues shown on the certificate of estimated resources.

- **Unauthorized Transfers:** The 2003 financial audit cited the prior Clerk for transferring money between funds without prior Trustee approval.
- **Weakened Internal Controls:** To account for expenditures after a purchase had already been made, the Township turned off the automated flags in the accounting system that prevent a purchase from exceeding the line-item budget (see **R2.9**).
- **Inconsistent Account Coding:** To cover deficits within certain funds that resulted from unanticipated purchases, the Trustees indicated that the prior Clerk charged expenditures to inappropriate accounts. For example, certain Police Department expenditures were charged to the General Fund rather than the Police Fund based on budget availability.

The Trustees also indicated that the Township has had to pay late fees to vendors in the past due to not having a regular accounts payable cycle (vendor payment process) and having significant weaknesses in internal control structure. For example, the Trustees noted that the Township's high health care premiums are partially due to an inconsistent payment history (see **R3.1**). In addition, the Township was almost removed from its workers compensation group rating plan in 2005 for not paying \$28,000 that was owed from previous years (see **R3.3**). Lastly, the Township incurred \$8,411 in late fees associated with debt payments that were not made on a timely basis from 1999 through 2004 (see the **forecast** section for more details on the Township's late fees).

*Financial Implication:* Based on the amount of late fees incurred over the past six years, the Township could achieve a minimum annual savings of approximately \$1,400 if it revised the accounts payable process to eliminate late payments.

**R2.12 Lafayette Township should consider joining consortiums, such as the Ohio Department of Administrative Services (DAS) and the Northeast Ohio Public Energy Council (NOPEC), to obtain discounted prices on commonly used items and utilities. In addition, joining consortiums will provide the Township with an easy mechanism to obtain price comparisons once the formal purchasing policies are implemented (see R2.10).**

Lafayette does not regularly use consortiums to obtain discounted prices. For example, the Township purchases health insurance, motor fuel, office supplies and basic utilities without using competitive bidding or consortiums to obtain price comparisons. However, the Trustees indicated that they do obtain informal price quotes for utilities at the beginning of the year.

The Ohio Department of Administrative Services (DAS) purchasing consortium allows for cost savings and convenience by allowing its members to purchase supplies and

services through State administered contracts. DAS advertises that the cooperative purchasing program allows members to save on hundreds of items including the following:

- Police cars;
- Tires and tubes;
- Office and janitorial supplies;
- Fire equipment;
- Office equipment;
- Computers;
- Natural gas;
- Mobile radios; and
- Motor fuel.

The current DAS membership fee for townships with a population under 10,000 is \$110 annually. In addition, DAS indicates that the membership fees have remained approximately the same since 1996 due to the growing participation over the past several years. Regarding potential savings on purchases by participating in DAS' cooperative purchasing program, DAS indicates that discounts vary by product, but could be as high as 30 to 40 percent on some items.

In addition to DAS, there are other consortiums the Township could join to help offset rising utility costs. For instance, the Northeast Ohio Public Energy Council (NOPEC) consists of 118 member communities, large and small, spread across eight Northeast Ohio counties. Voters in each of these communities approved the formation of NOPEC, by passing ordinances that authorized their local governments to aggregate all utility customers within the community. NOPEC provides townships with the opportunity to buy in bulk and lock in prices for their electric and natural gas. NOPEC advertises that they are the largest public aggregation in the United States.

*Financial Implication:* It would cost the Township approximately \$110 annually to join the DAS purchasing consortium. Assuming that the Township reduced supply and material expenditures by at least five percent as a result of participating in consortiums, it would save approximately \$7,400 annually. This is based on supply and material expenditures in 2005. Although not readily quantifiable, the Township could also reduce costs within purchased services (e.g., utilities) and capital outlay (e.g., police vehicles) by participating in consortiums.

*Economic Development*

**R2.13** During the process of developing the new comprehensive plan, the Township should consider conducting a new survey of the residents to determine their current thoughts and feelings about commercial, industrial and residential development. The overall philosophy of the new plan should be tailored to the results of the survey. When developing the survey, the Township should clearly convey the benefits and costs of development. For example, while expanding commercial and industrial development would alter the demographic makeup of the Township, it would generate additional revenue to support Township services. As a result, this would potentially minimize the future tax burden on residents. Regardless of the survey results, the new plan should be designed to include the items missing from the 1987 plan and strategies to overcome the identified barriers noted below.

A well designed comprehensive plan can serve as a blueprint for translating identified community needs and objectives into working projects, which would help the Township target its economic development according to the desires of its community and help enhance its overall development. This, in turn, would help improve the Township's financial standing. Furthermore, a well designed comprehensive plan could help the Township coordinate development projects with surrounding communities, in an effort to maximize available resources.

Lafayette does not have a current comprehensive plan to guide operations. The comprehensive plan used by the Township was prepared by the Medina County Planning Commission in August, 1987 and was developed based on a population estimate of 3,847 from 1984. Based on the 2000 census, Lafayette's population is now 5,476. In addition, after conducting two surveys of Township residents, the comprehensive plan was designed with the primary goal of limiting commercial development and trying to maintain the Township's status as a rural community. For example, 83 percent of the residents indicated that they would like the Township to remain a rural-residential community in the future. Furthermore, 63 percent indicated that the Township should not expand its current light industrial district or create another one elsewhere in the Township. According to Township Trustees, these preferences still exist among the current residents.

Based on a review of Lafayette's comprehensive plan in comparison to standards recommended by the University of Missouri, and to the comprehensive plan used by Painesville Township, the following elements are applicable to township government yet missing from the current plan:

- Strategies for attracting new employers, obtaining outside sources of capital, and making existing employers more competitive;

- An approach for identifying and facilitating residential housing growth opportunities; and
- A marketing program that emphasizes community assets and available resources.

The Township recently received a \$5,000 grant for economic development from the Medina County Planning Commission. The Trustees are using this money to develop a new comprehensive plan and are in the process of interviewing companies to assist in this endeavor. In addition to the absence of an updated comprehensive plan, Lafayette faces a number of unique barriers to future economic and housing growth, including the following:

- **Limited industrial zoning areas:** Lafayette is predominantly a residentially zoned community. Consequently, there are only limited areas in the Township which are zoned for commercial/industrial activity. This hinders Lafayette's ability to offer tax abatements and other incentives to attract new businesses. Zoning changes must be approved by the Medina County Planning Commission, Lafayette's Zoning Commission and Trustees (See **R2.18**).
- **Limited outreach to available community resources:** The Township is not a member of the area Chamber of Commerce and has not taken full advantage of the economic development resources available through the Ohio Department of Development (ODOD) (See **R2.16**).
- **Limited ability to provide water and sewer services:** Although Medina County is providing centralized water and sewer services to certain areas of the Township, other areas still receive these services through wells and septic tanks (See **R2.18**).

The Township limits its ability to attract new employers, facilitate residential housing growth, and overcome the barriers and limitations noted above by not having an updated plan that addresses these issues.

**R2.14 The Township should designate one of the Trustees to be responsible for centralizing its economic development activities. This person should function as the Township's liaison in interacting with the Chamber of Commerce (R2.16), the Ohio Department of Development (R2.16), the Community Improvement Corporation (R2.17), and other interested parties. This person should also be responsible for overseeing the website development as it relates to economic development (R2.15), implementing and updating the comprehensive plan (R2.13), and tracking economic indicators and reporting them to the Board. The following are examples of**

**economic indicators that could be tracked and reported to the Board on a periodic (e.g., quarterly) basis:**

- **New businesses and subsequent property tax revenue;**
- **New jobs created;**
- **Private investments introduced;**
- **Value of new home construction;**
- **Number of residents entering and exiting the area;**
- **Tax abatements issued; and**
- **Zoning areas created.**

**Centralizing the economic development responsibilities in one position will better ensure that economic development activities are taking place and that critical information will be available for future Board decisions. Once the Township centralizes the economic development function and implements other improvements, including the recommendations in this performance audit, the Trustees should begin reviewing the annual budget to identify appropriate funding for economic development purposes. In addition, the Township should develop formal economic development policies and procedures to ensure activities are appropriately carried-out, and to serve as an adequate resource and guide for staff.**

Lafayette has not designated any one person to be in charge of economic development. Currently, the Trustees divide oversight responsibilities, with each Trustee handling one specific area in the Township such as police, fire and road. However, no one takes any formal responsibility for overseeing the Township's economic development activities. In addition, the Township does not dedicate any portion of the annual budget to economic development activities, nor does it have formal policies regarding economic development. As a result, important economic data has not been formally tracked and discussed at Board meetings in the past.

The Trustees indicated that they are informally aware of various projects and activities taking place within the Township. However, by not tracking and reviewing data such as new housing starts, number of residents moving into and out of the Township, and the financial status of local businesses, it will be difficult for the Board to determine the effectiveness of current economic development strategies and whether to alter strategies or develop new ones. This could also prevent the Township from identifying future demands for government services (e.g., water and sewer, expanded police and fire, etc.).

**R2.15 The Township should re-design its website to include information that would be useful to potential investors and homebuyers. Once the website is complete, the Township should ensure that it is maintained and updated on a regular basis to**

**include current information. This would allow the Trustees to take advantage of an easy and inexpensive method to promote the Township to potential investors and homebuyers.**

Lafayette is in the process of developing a new website. A local citizen has agreed to develop the website free-of-charge during his spare time. However, the website has not been updated since April, 2005 and now includes some information that is outdated. For example, the listing of Township officials shows the prior Clerk as still working for the Township.

From an economic development standpoint, the current website does not include information that may be useful to potential investors and homebuyers. For example, the website lacks links to area businesses, local real estate agencies, the Medina County Chamber of Commerce, the Medina County Planning Commission, the Ohio Department of Development and other similar resources. In addition, the website does not include other Township-specific information such as census data, land values, median income, tax rates, and road and zoning maps. The absence of such information on the website inhibits potential investors and homebuyers from easily accessing relevant and useful information about the Township. West Chester Township, in Butler County, has developed a comprehensive website that includes many of the items noted above ([www.WestChesterOH.org](http://www.WestChesterOH.org)).

**R2.16 The Township should become a member of the Medina Area Chamber of Commerce (MCOC), and collaborate with MCOC, the Ohio Department of Development (ODOD) and other similar organizations to take advantage of available economic development resources. For example, if the citizen survey (see R2.13) indicates that an industrial park on the outskirts of the Township would be feasible, the Township could use ODOD (Rural Industrial Park Loan) to obtain low interest financing for the project. Once construction is underway, the Township could use the Medina Area Chamber of Commerce and ODOD to advertise the park's availability.**

The Township does not take full advantage of available local and regional resources to assist with commercial/industrial economic development activities. For example, the Township is not a member of the Medina Area Chamber of Commerce (MCOC), which could provide opportunities to market potential sites for business via networking and advertising. According to a representative from MCOC, benefits of membership include the following:

- Web page link to individual businesses;
- Tax incentive programs;

- Advertising opportunities; and
- Networking with influential businessmen.

Furthermore, the Township has not collaborated with the Ohio Department of Development (ODOD) on projects in the past. Specifically, ODOD can assist local governments in facilitating the following business incentives:

- *Ohio Enterprise Bond Fund*: Provides funding for land and building acquisition, construction, expansion, or renovation, as well as equipment purchases for commercial or industrial projects costing between \$1.5 million and \$10 million.
- *Ohio Qualified Small-Issue Bond Program*: Provides low-interest financing for small manufacturing facilities.
- *166 Direct and Regional Loans*: Provides loans for land and building acquisition, expansion, or renovation, as well as equipment purchases and road improvements. The maximum benefit ranges from 30 percent of eligible fixed costs ranging from \$350,000 to \$1,000,000 for the Direct Loan to 40 percent of total eligible fixed costs up to \$350,000 for the Regional Loan.
- *Pioneer Rural Loan*: Provides direct loans for businesses locating or expanding in rural areas.
- *Minority Direct Loan*: Provides loans for the purchase or improvement of fixed assets for State-certified minority owned businesses.
- *Ohio Mini-Loan Guarantee Program*: Provides loan guarantees for small business projects costing \$100,000 or less.
- *Rural Industrial Park Loan*: Provides direct loans and guarantees to rural, distressed local communities committed to creating industrial parks.
- *Urban and Rural Initiative*: Provides assistance to municipalities and non-profit economic development organizations in distressed areas for land acquisition, infrastructure improvements, renovation of existing buildings, and brownfield site remediation.

By not taking advantage of available local and regional resources to assist with commercial/industrial economic development activities, the Township minimizes outreach and potentially inhibits development.

*Financial Implication*: A membership with the Medina Area Chamber of Commerce would result in an annual expenditure of \$136.

**R2.17 The Township should use the results of its citizen survey and updated comprehensive plan (see R2.13) to determine whether to establish a Community Improvement Corporation (CIC). If the Township establishes a CIC, it most likely will have to donate or loan start-up funds to the organization. However,**

**establishing a CIC and designating it as the economic agent for the Township would ensure that economic development becomes and remains a priority for the Township. If the Township designates a CIC as its development agent, it should include appropriate controls and language in the articles of incorporation to ensure the CIC's activities remain in line with the Township's economic development goals. In addition, a CIC would allow the Township to use creative financing programs to help achieve the goals of the comprehensive plan.**

Lafayette has not established a Community Improvement Corporation (CIC). A CIC is a nonprofit corporation organized for the purpose of strengthening and promoting the industrial, economic, commercial, and civic development of a Township pursuant to ORC Chapter 1724. Specifically, a CIC would enable Lafayette to perform the following:

- Issue industrial development bonds (IDB) to finance projects headed by a business entity desiring to build or expand business within the Township;
- Borrow money for any purpose of the corporation by issuing debt which is secured by a mortgage or other lien on its property;
- Make loans to persons, partnerships, corporations, or other business organizations and to regulate the terms and conditions of such loans; and
- Acquire real estate for the purpose of constructing, operating, maintaining, or leasing industrial plants or business establishments or to sell such property; and promote various ODOD programs.

A CIC can be established by filing articles of incorporation with the Secretary of State's office. Once the articles are approved, an organizational meeting is then held to elect a Board of Trustees and officers, and to adopt a code of regulations. During the process of creating the CIC, ORC Chapter 1724 indicates that the Trustees may want to consider designating the CIC as the agent for the Township's economic development activities. Doing so would enable the CIC to approve or certify projects for industrial development bond financing as well as participate in other programs offered through ODOD. In addition, a CIC, when designated as the agent by the Township, must also prepare an economic plan which shows how the CIC will participate in the accomplishment of the Township's overall goals. For funding purposes, the legislation (ORC 1724) indicates that a CIC may accept donations of funds, supplies, equipment and other personal property or services to help pay expenses. The CIC may use these contributions for any authorized purpose under Chapter 1724 of the Ohio Revised Code. In summary, ORC Chapter 1724 gives the Trustees broad discretion in establishing the CIC's organizational structure and operating procedures through the adopted articles of incorporation.

Liberty Township in Trumbull County established a CIC consisting of three board members for the purpose of purchasing properties which are going through foreclosure. Liberty Township and the CIC then use these properties to facilitate future economic development activities. In addition, West Chester Township in Butler County established a CIC consisting of five board members. The stated mission of the West Chester CIC is to aggressively encourage and assist in the growth of West Chester's business sector through the attraction and expansion of companies and projects which will positively impact the community. The West Chester CIC accomplishes this mission by working closely with the Trustees, stakeholders and community to offer incentives and programs designed to encourage development.

**R2.18 Lafayette should consider allowing some economic development in the commercially zoned property on the outskirts of the Township. A CIC (see R2.17) could assist the Township in obtaining more areas of land on the outskirts of the Township, which could be used to facilitate future economic development. The Township should also consider petitioning the Planning Commission and Zoning Commission to provide more areas of land that could be zoned for commercial or industrial purposes. However, prior to allowing commercial or industrial development and requesting any zoning modifications, the Township should make sure that these proposed changes are consistent with the land use plans and survey results contained in the updated comprehensive plan (see R2.13).**

Lafayette faces a major barrier to economic development due to limited industrial/commercial zoning areas. Lafayette is predominantly a residentially zoned community with a significant amount of non-taxable park land and land owned by other governments (Medina County) within its boundaries. Consequently, only a few areas within the Township are currently zoned for industrial/commercial uses.

**Table 2-6** compares Lafayette's real, public utility, and tangible property values on a per citizen and per square mile basis to the peers.

**Table 2-6: Real and Tangible Property Values**

	Real & Public Utility Value	Tangible Value	Population	Square Miles	Real & Public Utility Property Value Per		Tangible Property Value Per	
					Citizen	Sq. Mile	Citizen	Sq. Mile
Lafayette	\$118,499,400	\$1,110,990	5,476	23.2	\$21,640	\$5,107,733	\$203	\$47,888
Brunswick Hills	\$204,442,570	\$3,229,699	5,469	12.5	\$37,382	\$16,355,406	\$591	\$258,376
Guilford	\$72,231,260	\$879,023	5,447	25.1	\$13,261	\$2,877,739	\$161	\$35,021
Randolph	\$91,932,270 <sup>1</sup>	\$5,519,305	5,504	29.1	\$16,703	\$3,159,185	\$1,003	\$189,667
<b>Peer Average</b>	<b>\$122,868,700</b>	<b>\$3,209,342</b>	<b>5,473</b>	<b>22.2</b>	<b>\$22,449</b>	<b>\$5,526,328</b>	<b>\$586</b>	<b>\$144,348</b>

**Source:** Portage County Auditor, Medina County Auditor

**Note:** Real and public utility property valuation is for 2005 while tangible property valuation is for 2004 in order to capture values before the impact of the accelerated phase-out under House Bill 66 (see **financial systems** for more information).

<sup>1</sup> Based on documentation provided by Randolph, it is unclear whether public utility real and personal property valuation was included. Of the total real/public utility valuation, public utility valuation comprised 2.4, 3.0, and 2.7 percent in 2005 at Lafayette, Brunswick, and Guilford, respectively.

**Table 2-6** shows that although the Township's real property values were higher than two of the peers on both a per citizen and square mile basis, the tangible property values per citizen and per square mile were both significantly lower than Randolph, Brunswick Hills and the peer average. Additionally, commercial/industrial property valuation comprised 4.1 percent of total real/public utility property in Lafayette for 2005, which is lower than Brunswick Hills (6.4 percent), Guilford (4.8 percent) and Randolph (4.4 percent). The low tangible property values and low percentage of commercial/industrial property valuation can be primarily attributed to a lack of commercial/industrial zoned property, limiting the focus of the 1987 comprehensive plan to residential development (see **R2.13**), and not making economic development a priority in the past (see **R2.14** and **R2.16**).

**Table 2-7** shows the number of building permits issued for 2004 and 2005 for all the townships in Medina County.

**Table 2-7: Medina County Building Permits**

Township	Residential 2004	Commercial 2004	Residential 2005	Commercial 2005
Lafayette	289	5	313	3
Brunswick Hills	981	24	951	39
Chatham	105	0	88	2
Granger	238	14	235	11
Guilford	84	2	124	1
Harrisville	60	18	89	11
Hinckley	416	6	390	13
Homer	43	0	31	0
Litchfield	177	9	161	3
Liverpool	250	7	254	17
Montville	904	16	813	17
Sharon	379	14	272	16
Spencer	105	0	73	2
Wadsworth	147	14	185	8
Westfield	98	8	117	0
York	172	4	129	5
<b>Peer Average</b>	<b>277</b>	<b>9</b>	<b>261</b>	<b>10</b>

Source: Medina County Building Department

**Table 2-7** further illustrates the disparity between residential and commercial zoning within Lafayette Township. Although Lafayette issued more residential permits in 2004 and 2005 than the peer average, it issued fewer commercial permits in both years when compared to the peer average. More specifically, **Table 2-7** shows that Lafayette issued 289 residential and five commercial building permits in 2004 while the Medina County average was 277 and nine, respectively. In 2005, Lafayette issued 313 residential and three commercial building permits while the Medina County average was 261 and 10, respectively. According to the Director of the Medina County Planning Department, zoning changes can be made by developing a description of the area the Township wants to re-zone and passing a resolution requesting the County to change the zoning. The Township submits the resolution, area description and an application to the County Planning Commission for review and approval. If the zoning change is approved by the Planning Commission, the proposal is then submitted to the Zoning Commission for final approval. Each municipality has its own Zoning Commission consisting of residents appointed by the trustees for five-year terms. Lafayette has never petitioned the Planning Commission or the Zoning Commission to change the zoning restrictions for any parcels of land.

Another barrier to economic development is the past reluctance of the residents to accept change in the area. New businesses would provide tax revenue to the Township and potentially ease the burden on the residential taxpayers. However, according to the Trustees, the residents would rather pay higher taxes than have large businesses enter their neighborhoods. These feelings were evident in the 1987 survey of Lafayette

residents. When asked what type of community Lafayette Township should be in the future, 83 percent of the residents indicated that the Township should remain rural-residential. Therefore, the Trustees indicated that they have not pursued any alternatives in the past that might have allowed for commercial development in a way that would limit the impact on the residential community. Nevertheless, one compromise might be to allow for some commercial/industrial development (industrial park, shopping, etc) on the outskirts of the Township where the impact on residential housing would be minimal. The Trustees indicated that there is some commercially zoned property on the outskirts of the Township (near Smith Road) which might serve as a good location for future commercial development. ODOT has many available grants and incentives that could aid in the development of this area (see **R2.16**)

*Financial Implication:* Numerous variables will impact the future growth of the Township, including the residents' desire for commercial/industrial development (see **R2.13**) and the Township's progress in implementing the performance audit recommendations to enhance its economic development activities. Therefore, it is difficult to quantify a precise financial impact of increased development resulting from the recommendations in this performance audit. However, if the Township achieved a five percent growth in the property values (excluding tangible due to the phase-out) from increased economic development, it would realize an annual increase in revenues of approximately \$15,900 in the Police Fund and \$2,400 in the General Fund, for a total increase of approximately \$18,300 annually.

**R2.19 Lafayette should consider petitioning the County to extend water and sewer lines throughout the Township. In addition to making central water and sewer services available to existing residents, this would also ensure that the necessary infrastructure is in place and available to accommodate any future residential and commercial/industrial development projects. At a minimum, and assuming the Township moves forward with commercial development (see R2.13), Lafayette should petition the County to extend the water and sewer lines to the commercially zoned property on the outskirts of the Township (see R2.18).**

Currently, more than half of the residents in Lafayette Township receive water and sewer services through Medina County. The remaining population has access to these services through wells and septic tanks. According to the Trustees, Lafayette can petition the County to extend the water and sewer lines to accommodate the remaining portions of the Township. However, this action has not been taken in the past due to the lack of a major development projects in these areas. The Medina County Sanitary Engineer's office has indicated a willingness to look at the feasibility of extending the water and sewer lines to the remaining areas of the Township.

**R2.20 The Trustees should consider using tax abatements as one method for attracting new businesses. However, prior to using tax abatements, the Trustees should find land suitable for development (see R2.18), obtain citizens' attitudes on further development via an updated survey (see R2.13), and ensure that central water and sewer services are available in the proposed area (R2.19).**

Lafayette Township has not used tax abatements as a tool to promote economic development in the area. In contrast, Jackson Township (Guernsey County), Liverpool Township (Medina County), and Whitewater Township (Hamilton County) have all used tax abatements to assist in bringing new businesses to their respective townships. **Table 2-8** shows the number of tax abatements and the resulting investment in business property that occurred in each of these townships.

**Table 2-8: Townships using Tax Abatements**

	Jackson	Liverpool	Whitewater	Peer Average
Residents	5,399	4,329	5,564	5,097
Number of Abatements	9	3	2	4.67
Amount of Investment	\$110,601,548	\$66,226,000	\$5,675,000	\$60,834,183
Investment per Resident	\$20,486	\$15,298	\$1,020	\$12,268
Amount of Abatement	\$71,589,000	\$41,185,200	\$1,531,200	\$38,101,800
Abatement per Resident	\$13,260	\$9,514	\$275	\$7,683
Net Investment	\$39,012,548	\$25,040,800	\$4,143,800	\$22,732,383
Net Investment per Resident	\$7,226	\$5,784	\$745	\$4,585
Net Investment per Abatement Agreement	\$4,334,728	\$8,346,933	\$2,071,900	\$4,917,854
Number of Jobs Retained or Created	1,072	143	178	464
Jobs per Abatement Agreement	119	48	89	85
Jobs per 1,000 Residents	199	33	32	88
Tangible Personal Property Valuation	\$36,204,780	\$33,381,878	\$13,850,090	\$27,812,249
Tangible Personal Property Valuation per Resident	\$6,706	\$7,711	\$2,489	\$5,635

Source: Ohio Department of Development

**Table 2-8** shows that Jackson granted nine abatements while Liverpool and Whitewater have granted three and two, respectively. These abatements resulted in an average net investment of approximately \$23 million, The creation or retention of 464 jobs, and tangible property tax values per citizen of \$5,635, which are significantly higher than Lafayette at \$203. By not using tax abatements, the Township limits its ability to attract new businesses.

## Financial Implications Summary

The following table summarizes the estimated annual costs, annual cost savings and annual revenue enhancements identified in recommendations presented in this section of the report.

### Summary of Financial Implications

Recommendation	Estimated Annual Cost	Estimated Annual Cost Savings	Estimated Annual Revenue Enhancement
<b>R2.11 Eliminate late fees</b>		\$1,400	
<b>R2.12 Join DAS purchasing consortium</b>	\$110	\$7,400	
<b>R2.16 Obtain Membership in MCOC</b>	\$136		
<b>R2.18 Implement Economic Development initiatives</b>			\$18,300
<b>Total</b>	<b>\$246</b>	<b>\$8,800</b>	<b>\$18,300</b>



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# Human Resources

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## Background

This section of the performance audit focuses on the human resource functions within Lafayette Township (Lafayette or the Township). The objectives are to assess Lafayette's benefit practices, staffing levels, salaries, and various employment policies and procedures for effectiveness and efficiency. To illustrate various operational issues, comparisons are made throughout this section to peer townships, and other sources such as the State Employees Relations Board (SERB) and the Kaiser Foundation. The peer townships used in this section include Brunswick Hills Township (Brunswick Hills), Guilford Township (Guilford), Randolph Township (Randolph), and Russell Township (Russell).

### *Organizational Function*

The Township does not have a separate department that performs human resources activities. Rather, the Township's human resources and administrative-related functions are carried out by the three elected Trustees, the Clerk and departmental supervisors. The Trustees oversee each of the departments at the Township (police, fire and service), and are responsible for hiring and terminating employees, establishing employee salaries and benefits, managing the workers' compensation program, adopting employment policies and procedures, and conducting performance reviews. The Clerk is also an elected position that serves part-time. According to provisions in Ohio Revised Code (ORC) Chapter 507, the Clerk is responsible for recording Township Trustee meeting minutes, signing all Township checks, filing and publishing financial reports, and keeping records of accounts and transactions. Within Lafayette Township, the Clerk's specific human resources duties include processing payroll, and contracting for health insurance and other employee benefits. The departmental supervisors are responsible for those human resources functions specific to their respective departments (e.g. submitting payroll and other administrative functions). None of the Township's employees are unionized.

### *Staffing*

**Table 3-1** illustrates actual staffing levels for all Township departments as of December 31, 2005.

**Table 3-1: Township Staffing Levels**

Positions	Number of Staff
<b>Administration</b>	
• Trustees – Elected	3.0
• Clerk – Elected	1.0
<b>Police</b>	
• Chief	1.0
• Sergeant	1.0
• Officers/ Patrolmen	4.0
<b>Fire</b>	
• Fire Chief	1.0 <sup>1</sup>
<b>Zoning</b>	
• Zoning Inspector – Paid by Stipend	1.0
• Zoning Secretary – Paid by Stipend	1.0
<b>Service</b>	
• Inspector	2.0
• Administrative Assistant/ Cleaner	1.0

**Source:** Lafayette Township

<sup>1</sup> With the exception of the Chief, the Fire Department is staffed by volunteers.

The Zoning Inspector and Zoning Secretary were part-time positions paid with a monthly stipend in 2005. Although the Zoning Secretary is still employed by the Township, the Zoning Inspector position was eliminated in 2006 as the Township is considering contracting with the Medina County Zoning Office for these services (see **R3.7** for further discussion). In addition, the Township experienced turnover in the Clerk position in September, 2005 when the elected Clerk resigned in the middle of her term. As a result, the Township hired an interim Clerk as a temporary replacement until a Judge could appoint a Clerk to serve the remainder of the term. The new Clerk was appointed in January, 2006.

## Recommendations / Commendations

### Employee Benefits

**R3.1** The Township should use a formal bidding or quote process when selecting health and life insurance providers, and review the costs and plans provided by the Ohio Township Association Risk Management Authority (OTARMA). To ensure that the Township selects the appropriate plan and provider, it should compare all of the bids and quotes to one another and to the prices that can be obtained through membership in OTARMA. As another way to help reduce the cost of employee benefits, the Township should consider reviewing the design of its health and life insurance plans to address the areas that appear more generous in comparison to the peers and the Kaiser survey (e.g., prescription co-pays and deductibles). Additionally, the Township should ensure that health insurance invoices are paid in a timely manner (see financial systems).

The Township contracts with Anthem Blue Cross for health and life insurance, and Delta Dental for dental insurance for full-time employees. The monthly premiums for all three plans are determined based on the age, gender, and family status of the insured staff. The Anthem Blue Cross plan is a preferred provider organization (PPO) health plan. **Table 3-2** compares the Township's fringe benefit costs per citizen to the peers for 2004, and shows Lafayette's fringe benefit costs for 2005.

**Table 3-2: Lafayette and Peers Fringe Benefit Cost per Citizen**

	Lafayette 2004	Lafayette 2005	Brunswick Hills	Guilford	Randolph	Peer Average
<b>Citizens</b>	5,476	5,476	5,469	5,447	5,504	5,473
<b>Cost of Fringe Benefits</b>	\$244,803	\$261,590	\$295,176	\$70,010	\$200,206	\$188,464
<b>Benefit Costs per citizen</b>	\$44.70	\$47.77	\$53.97	\$12.85	\$36.37	\$34.44

**Source:** Lafayette and Peers

**Note:** Lafayette and Guilford do not provide vision insurance. In 2004, vision insurance cost \$4,220 and \$2,098 for Brunswick Hills and Randolph, respectively. These amounts do not have a material impact on the expenditures reported in **Table 3-2**.

**Table 3-2** shows that Lafayette's fringe benefit cost per citizen in 2004 was higher than two of the peers and the peer average. However, Guilford's fringe benefit costs are significantly lower than Lafayette and the other townships due to only providing health insurance benefits to one employee during the first half of 2004 and three employees in the second half of 2004. Lafayette's higher cost for fringe benefits can be attributed to the fact that no employees qualify for the single (less expensive) health care premiums and that health care premiums are higher than the peers (see **Table 3-3**).

The Kaiser Family Foundation completes an annual survey of private and public employers with three or more employees in an effort to better understand the cost of health care in the United States. The 2005 survey found that the average monthly medical premium for state and local government entities was \$365 for single coverage and \$915 for family coverage. In addition, the State Employment Relations Board (SERB) reports on the annual cost of health insurance in the public sector. In its most recent survey, SERB reports that the average monthly medical premium was \$349 for single coverage and \$913 for a family coverage in 2004, which represented a weighted average increase of approximately 15 percent from 2003 for both plan types. Assuming that the monthly premiums reported through SERB increased at a similar rate in 2005, it is estimated that the average single plan premium was \$401 in 2005 while the average family premium was \$1,050. Likewise, the SERB average for single and family medical premiums for plans covering 1-49 employees are estimated at \$413 and \$1,126, respectively, for 2005. **Table 3-3** compares the Township's health, dental and life insurance premiums to the peers for 2005.

**Table 3-3: 2005 Employee Insurance Premium Analysis**

	Lafayette	Brunswick Hills	Guilford	Randolph	Peer Average
<b>Provider</b>	Anthem Blue Cross and Blue Shield <sup>1</sup>	Kaiser Permanente	United Health Care	Anthem Blue Cross and Blue Shield <sup>1</sup>	
<b>Monthly Premium (Single)</b>	NA	\$262	\$447 <sup>1</sup>	\$572 <sup>1</sup>	\$427
<b>Single Plan Enrollment</b>	NA	5	2	2	3
<b>Monthly Premium (Employee/spouse)</b>	\$1,044 <sup>1</sup>	\$522	NA	NA	\$522
<b>Employee plus Spouse Enrollment</b>	3	3	NA	NA	3
<b>Monthly Premium (Family)</b>	\$1,106 <sup>1</sup>	\$744	\$883 <sup>1</sup>	\$998 <sup>1</sup>	\$875
<b>Family Plan Enrollment</b>	6	6	2	6	5
<b>Dental Provider</b>	Delta Dental	Delta Dental	Delta Dental	Delta Dental	Delta Dental
<b>Dental:</b>					
<b>Single</b>	NA	\$21.64	\$21.64	\$21.64	\$21.64
<b>Family</b>	\$58.85	\$58.85	\$58.85	\$58.85	\$58.85
<b>Life Provider</b>	Anthem	OneAmerica	Burnham & Flowers	Anthem	NA
<b>Life Insurance Cost</b>	\$3.15-\$29.10	\$5.25-\$29.50	\$7.80	\$4.05-\$29.10	
<b>Insurance</b>	\$15,000	\$25K-\$50K	\$17,160	\$15,000	\$19,053

Source: Lafayette and peers

<sup>1</sup> Average of premiums for covered employees

**Table 3-3** shows the Township's dental plans are identical to the peers while the life insurance costs are slightly higher. Although Lafayette's maximum cost for its life insurance policy is similar to Brunswick Hills, its insurance policy coverage of \$15,000 is much lower than Brunswick Hills' maximum policy of \$50,000. In addition, the Township's life insurance costs are significantly higher than Guilford, even though its policy coverage is lower.

**Table 3-3** also shows the Township's health insurance rates for family coverage are approximately 26 percent higher than the peer average, and 21 percent higher than the 2005 Kaiser Survey for state and local governments (\$915). Although the Township's family premium is 1.8 percent lower than the estimated SERB family premium for plans covering 1-49 employees, it is 5.3 percent higher than the estimated overall SERB average family premium for 2005 (\$1,050). In addition, the Township's family coverage premiums are 11 percent higher than Randolph, despite participating in the same health care plan and having employees with similar average ages (Lafayette's employees average age is 46.5 while Randolph's average age is 47). Furthermore, with the exception of the prescription drug program, the Township's employee benefit levels are similar to, or lower than, Randolph. Therefore, while the Township's lower employee co-payment for prescriptions could contribute to its higher premiums, differences in historical claims costs could also contribute to the differences in premiums when compared to Randolph.

**Table 3-4** compares the Township's key medical plan benefits to the peers and the 2005 Kaiser Survey averages.

**Table 3-4: Key Employee Medical Plan Benefits**

	Lafayette	Brunswick Hills	Guilford	Randolph	Kaiser Survey
<b>Office Visits</b>				\$10 (S)/\$30 (F)	\$15 to \$20 <sup>2</sup>
- Network	\$20 <sup>1</sup>	\$10 <sup>1</sup>	\$20 <sup>1</sup>		Not Reported
- Non-Network	40%	30%	30%	20%	
<b>Prescription Drugs – Generic / Formulary/ Non Formulary</b>	\$8/\$15/\$15	\$10/\$15/\$30	\$10/\$30/\$50	\$10/\$20/\$30	\$10/\$22/\$35
<b>Retail Mail Service</b>	\$16/\$30/\$30		\$25/\$75/\$125	\$20/\$40/\$60	Not Reported
<b>Employee Deductible:</b>		\$0 –HMO			
<b>Network (Individual/Family)</b>	\$0/\$0	\$200/\$400-PPO	\$250/\$500	\$0/\$0	\$323/\$679 <sup>3</sup>
<b>Non Network (Individual/Family)</b>	\$500/\$1,500	\$600/\$1,200-PPO	\$750/\$1,500	\$300/\$900	Not Reported
<b>Employee Out-of-Pocket Maximum:</b>					
<b>Network (Individual/Family)</b>	\$1,500/\$3,000	\$1,000/\$2,000	\$1,500/\$3,000	\$1,000/\$2,000	\$1,000 - \$1,499 S
<b>Non Network (Individual/Family)</b>	\$3,000/\$6,000	\$4,000/\$8,000	\$3,000/\$6,000	\$2,000/\$4,000	\$3,000 - \$3,999 F <sup>4</sup>
					Not Reported
<b>ER</b>	\$150	\$50	\$100	\$150	Not Reported
<b>In-Patient Hospital Care</b>					
<b>Network</b>	20%	\$0	10%	\$0	16%
<b>Non Network</b>	40%	30%	30%	20%	Not Reported
<b>Out- Patient Hospital Care</b>					
<b>Network</b>	20%	10%	10%	0%	
<b>Non Network</b>	40%	30%	30%	20%	Not Reported
<b>Lifetime Maximum</b>	\$5 million	None	\$2.5 million	\$5 million	Not Reported
<b>Hours Worked to Receive Benefit</b>	40	40	40	24	Not Reported

Source: Lafayette, peers, and Kaiser 2005 survey

<sup>1</sup> Family and individual rates are the same

<sup>2</sup> Sixty-one percent of survey respondents had a co-pay of \$15 to \$20.

<sup>3</sup> PPO plan only

<sup>4</sup>Excluding no limit, this represents the highest percentage of respondents (21% for single family and 20% for family). The median range reported in the Kaiser survey was \$2,000 - \$2,499 (S) and \$4,000 - \$4,999 (F).

**Table 3-4** indicates that while the Township requires higher employee co-pays for hospital care and ER visits, its employee co-pays for office visits and out-of-pocket maximums are similar to the peers. However, **Table 3-4** shows that the Township's prescription drug co-pays are lower than all the peers and the 2005 Kaiser survey average. Likewise, **Table 3-4** shows that the Township's employee deductibles are lower than Brunswick Hills, Guilford and the Kaiser survey average. These variables in plan design all contribute to the Township's higher health care premiums. In addition, the Trustees indicated that the higher premiums may also be due to the late payment of monthly health insurance invoices in the past (see the **financial systems** section).

The Township's historical purchasing practices may be another factor contributing to the high health care and life insurance premiums. According to the Trustees, the former Clerk purchased the current health insurance and life insurance plans. However, the Trustees were not involved in the decision making process. Therefore, the Trustees are not sure why these plans were selected or whether a competitive bidding or a formal price

quote process was used to select the provider and corresponding plan. In contrast, Brunswick Hills and Guilford purchase their health and life insurance through the Ohio Township Association Risk Management Authority (OTARMA) and have been able to achieve premiums which are significantly lower than Lafayette, despite insuring more people in the case of Brunswick Hills. OTARMA is an Ohio township consortium that was established in an effort to provide more cost effective insurance coverage to its members.

*Financial Implication:* Assuming the Township can lower its employee plus spouse premium to at least the level of Brunswick Hills' family premium and lower its family premium to the peer average by using competitive bidding, addressing plan design, and paying its monthly invoices on time, the Township could save approximately \$27,000 annually in health care costs.

**R3.2 Lafayette should consider requiring all full-time employees to contribute a portion of the cost of monthly health insurance premiums. This will help to mitigate the high costs associated with providing health insurance coverage to Township employees. Furthermore, the employee contribution should be stated as a percentage rather than a fixed dollar amount to help offset annual increases in healthcare premiums.**

Lafayette and the peers do not require employee contributions towards the monthly premium costs. The Center for Public Management and Regional Affairs at the University of Miami, Ohio, collects and maintains a database on wages, salaries, benefits, and other compensation issues in townships located in southwestern Ohio. Of the 15 townships that responded to the Ohio Township Survey in 2004, six require employee contributions towards the monthly premium costs. Furthermore, the employee contributions range from one percent to 25 percent, with an average of nine percent.

The State Employment Relations Board (SERB) completes an annual report on the cost of health insurance in Ohio's Public Sector. SERB's 2004 Report on Healthcare Costs found that Ohio public employees' portion of premium costs for medical coverage averaged 11.8 percent of the monthly premium cost for single coverage, and 12.3 percent of the monthly premium cost for family coverage. According to SERB, approximately 72 percent of employers require full-time employees to contribute towards the cost of family insurance premiums, while about 64 percent of employers require contributions for single insurance premiums. In addition, the 2005 Kaiser survey found that 79 percent of the respondents required employee contributions for single coverage and 91 percent required contributions for family coverage. By not requiring employee contributions towards the monthly health insurance premiums, the Township is incurring higher costs in providing health insurance coverage.

*Financial Implication:* If Lafayette implemented a 12 percent employee contribution towards the monthly health care premiums, similar to the level reported by SERB, the potential annual cost savings would be approximately \$14,200 annually.

**C3.1 The Township has reduced its workers' compensation claims, claims cost and experience modifier each year since 2003. In addition, the Drug Free Workplace and Transitional Work programs should help the Township maintain its low cost for workers' compensation insurance in the future.**

Table 3-5 presents the Township's workers' compensation data from 2003 through 2005.

**Table 3-5: Workers' Compensation Data**

	2003	2004	2005
<b>Claims</b>	5	4	3
<b>Claim Costs</b>	\$15,650	\$1,193	\$449
<b>Experience Modifier</b>	0.93	0.43	0.40
<b>Cost of Coverage</b>	\$76,485	\$26,043	NA <sup>1</sup>

Source: Ohio Bureau of Workers' Compensation

<sup>1</sup>Information not currently available

Table 3-5 shows that the Township's claims, the associated costs, and the experience modifiers have declined each year since 2003. The experience modifier is the primary factor used by the Bureau of Workers' Compensation (BWC) to establish the annual premiums and is based upon several variables, including the number of total claims in any previous time period, the severity of those claims, and the extent to which lost time claims went into effect. According to a representative at BWC, an experience modifier less than 1.00 indicates that the entity has effectively managed workers' compensation and would be eligible for group rating programs in most cases. Group rating allows employers who are substantially similar in business type to merge their experiences (as one large employer) in an effort to achieve a lower premium rate than they could on their own.

Prior to 2003, the Township was not eligible for group rating due to its experience modifier of 1.01. However, Lafayette experienced a significant reduction in the workers' compensation claims and costs in 2003, which resulted in the experience modifier declining to 0.93. In 2004, the Township joined a group rating plan and achieved significant savings as the experience modifier for the group was only 0.43. The group rating plan will allow for a similar experience modifier and savings in 2005.

According to BWC, if an entity is already in a group rating plan, the only additional savings that can be achieved are through the implementation of a Drug Free Workplace program. Entities that implement the Drug Free Workplace program through BWC are eligible to receive premium discounts ranging from 10 to 20 percent during the first five

years of the program. The actual discount an entity receives depends on the number of employees the entity is subjecting to random drug tests and the year of implementation. Lafayette Township implemented the Drug Free Workplace in 2005 and the program is estimated to save the Township \$2,600 by 2007, an additional \$3,900 in 2008 and \$6,500 annually from 2009 through 2011, based on the 2004 premium costs. The Township also implemented a transitional work program in 2005. The transitional work program identifies light job duties that can be completed for a specified time period by an injured worker in an effort to gradually return the worker to his/her normal responsibilities. Although the Township does not receive immediate discounts for the transitional work program, it should help minimize future lost time claims for injured workers.

**R3.3 The Township should pay its workers' compensation premiums by May 15th in order to take advantage of the prompt pay discounts. See R2.3 in the financial systems section for a discussion of bank reconciliations.**

Although the Township has effectively managed the workers' compensation program to limit the cost of coverage, it has not done an effective job of managing the financial aspects of the program. According to BWC, the Township was going to be removed from the group rating plan in 2005 due to its failure to pay \$28,000 that was owed from previous years.

The **financial systems** section (**R2.3**) shows that the Township did not complete bank reconciliations in a timely or accurate manner in the past. As a result of some past bank reconciliation inaccuracies, the interim Clerk completed most of the bank reconciliations for 2005 retroactively after being appointed in December, 2005. During this process, the interim Clerk found a discrepancy that showed the bank cashing an old check to BWC for an incorrect amount. This resulted in BWC reporting a past due amount owed by the Township while Lafayette's accounting records showed the invoice as paid-in-full. After realizing the mistake, the interim Clerk issued another check to pay the amount still owed. However, if BWC had removed the Township from its group rating plan, the Township would have become penalty rated and the experience modifier would have increased to 1.07. This discrepancy could have been prevented by accurately completing the bank reconciliations on a monthly basis.

In addition, Lafayette has not taken advantage of prompt pay discounts. BWC currently gives entities a discount if entities pay the entire invoice amount by May 15. Alternatively, employers can pay a portion on May 15 and pay the remainder in September, but they then lose the discount. According to representatives from BWC, the discount percentage is based on the three month Treasury bill rate.

*Financial Implication:* Using a Treasury bill rate of 3.86 percent (December, 2005), the Township could have saved an estimated \$2,952 in 2003 and \$1,005 in 2004 by taking advantage of the prompt pay discounts available through BWC.

### Staffing

**R3.4 The Township should consider hiring a part-time clerical employee to assist the Clerk in carrying out the financial functions of the Township. However, prior to advertising for this position, the Trustees should work with the Clerk to determine the number of hours, work schedule, job description, salary and acceptable qualifications for the position. Once established, any deviations from these criteria should require approval from both the Trustees and the Clerk. This will help ensure that the Township is hiring an applicant that is qualified to perform the work, and that all parties are aware of the cost and responsibilities of this position. By hiring a part-time clerical employee, the Township would have someone in place who could help the Clerk complete the various financial procedures in a timely manner and assist in developing the monthly financial and economic reports for the Trustees.**

The Township Clerk is an elected position that serves a four-year term. The Township experienced a vacancy in the Clerk position in September, 2005 when the elected Clerk resigned her position in the middle of her term. As a result, the Township hired an interim Clerk until a Judge could appoint a Clerk to serve the remainder of the term. The new Clerk was appointed in January, 2006.

Prior to 2005, the Township had several part-time clerical positions that were approved by the Trustees to work up to 15 hours per week to help the Clerk fulfill his/her responsibilities. However, all of the people in the clerical positions resigned during 2005 and were not replaced. Consequently, at the end of 2005, none of the elected officials (Trustees and interim Clerk) at Lafayette had any clerical employees. **Table 3-6** shows the clerical positions that support the elected officials for Lafayette and the peers as of December, 2005.

**Table 3-6: Clerical Positions Serving the Elected Positions**

	Lafayette		Brunswick Hills		Guilford		Randolph		Peer Average	
	Positions	FTEs	Positions	FTEs	Positions	FTEs	Positions	FTEs	Positions	FTEs
<b>Clerical</b>	0.0	0.0	2.0	2.0	1.0	0.1	1.0	0.6	1.3	0.9
<b>Citizens</b>	5,476		5,469		5,447		5,504		5,473	
<b>FTEs per 1,000 Citizens</b>	NA		0.36		0.02		0.11		0.16	

Source: Lafayette and peer townships

**Table 3-6** shows that although FTEs vary significantly, each of the peers has at least one clerical employee to assist the elected officials. The Trustees indicated that the Township may consider hiring a clerical employee once the new Clerk is comfortable with the position and they can determine the hours needed.

The **financial systems** section of this report contains an assessment of the Township's internal control practices, which shows significant weaknesses regarding the timing of transactions. For example, **R2.3**, **R2.4** and **R2.11** show that the Township was cited in past financial audits for not completing bank reconciliations, cash deposits and purchase order approvals in a timely manner. In addition, certain recommendations in the financial systems section will result in increased workloads for the Trustees and Clerk, including tracking and maintaining various economic data (**R2.14**) and preparing a formal financial reporting packet on a monthly basis (**R2.2**). Despite having clerical assistance, the past audit citations indicate that the clerical employees may not have been qualified for their positions or were unclear about their responsibilities.

*Financial Implication:* If the Township hired a part-time clerical employee (0.5 FTE) at peer average clerical salary of \$15 per hour, it would incur an additional cost of approximately \$15,600 per year in salary and benefit costs of approximately \$5,000, for a total cost of \$20,600. Employing a 0.5 clerical FTE would result in a ratio of 0.9 FTEs per 1,000 citizens, similar to Randolph.

- R3.5 Lafayette should consider reducing its service/road department staffing levels by 0.7 FTEs in order to be more comparable to the number of road miles maintained per FTE by the peers. To help accomplish this reduction, the Township should consider working with the municipal court to establish a program whereby traffic violators can perform basic lawn maintenance and snow removal tasks in Lafayette Township as community service. If this is unsuccessful and Lafayette needs additional support to adequately maintain its land, the Township should consider contracting for this function, similar to Brunswick Hills. When contracting for services, the Township should institute a competitive bidding process. In addition, the Township should investigate the feasibility of using its fire department staff with commercial drivers licenses (CDL) to drive snow plows in an effort to supplement the service/road personnel during large snowfalls.**

Lafayette's service/road employees are responsible for performing general road maintenance and snow plowing, as well as maintaining cemeteries, parks, and certain parcels of land within the Township. **Table 3-7** shows the service/road department staffing levels and costs for Lafayette Township and the peers.

**Table 3-7: 2005 Road/Service Department Staffing and Cost Comparison**

	Lafayette		Brunswick Hills		Guilford		Randolph		Peer Average	
	Positions	FTEs	Positions	FTEs	Positions	FTEs	Positions	FTEs	Positions	FTEs
Service/Roads Staff	3.0	2.2	8.0	2.3	2.0	1.0	2.0	2.0	4.7	1.7
Road Miles	25.9		30.32		23.4		32.16		28.63	
Road Miles per FTE	11.8		13.2		23.4		16.1		16.8	
Service/Road Department 2004 Costs	\$205,648		\$108,316		\$153,834		\$279,699		\$180,616	
Citizens	5,476		5,469		5,447		5,504		5,473	
Cost per Citizen	\$37.55		\$19.81		\$28.24		\$50.82		\$32.96	
Cost per Road Mile	\$7,940		\$3,572		\$6,574		\$8,697		\$6,309	

Source: Lafayette and peer townships

**Table 3-7** shows that the Township's service/road department is maintaining fewer miles per FTE than the peers while operating at a higher cost per citizen and per road mile than Brunswick Hills and Guilford. The Township would need to reduce the service/road department staffing by 0.7 FTEs to be more in line with the peer average of 16.8 miles per FTE.

In comparison to Lafayette, Brunswick Hills employs two full-time and two part-time service/road personnel, as well as four Fire Department staff with Commercial Drivers Licenses (CDL) who drive snow plows as needed. In addition, Brunswick Hills uses an independent contractor to maintain its cemetery and other lands at a cost of approximately \$1,100 annually. As shown in **Table 3-7**, Brunswick Hills' total service/road costs per citizen and per road mile are significantly lower than Lafayette. However, it should be noted that Lafayette maintains four cemeteries. Guilford employs two part-time employees but is able to supplement its workforce through an arrangement with Wadsworth Township in which both entities share their staff for projects that require more than two people. According to the Trustees, Lafayette has worked with other townships in the past to coordinate the labor on larger projects. Randolph has two full-time employees who carry out duties similar to Lafayette (maintaining cemeteries, parks and other land). However, Randolph also uses traffic violators who wish to perform community service instead of paying fines to help maintain the cemeteries and parks. Lafayette has used community service workers in the past to help clean ditches, assist on clean-up days and for general painting. However, the Township has not used community service workers to help with lawn maintenance and snow removal.

*Financial Implication:* Decreasing the service/road department staff by 0.7 FTEs would result in savings of approximately \$29,000 in wages and benefits.

**R3.6 The Township should continue operating with the existing staffing levels in the police department for the near future. However, as the Township continues to grow and implements strategies to increase its residential and commercial tax base (see the economic development subsection in financial systems), the Trustees should monitor police department staffing levels in relation to its financial condition and activity levels (calls for service, traffic violations, etc.) and adjust as necessary. Furthermore, to facilitate future monitoring and ensure timeliness in responding to calls for service, the Lafayette Police Department (LPD) should work with the Medina County Sheriff's Office to resolve the reporting inconsistencies concerning response times.**

The Lafayette Police Department (LPD) is staffed by four full-time officers, including the Chief and Sergeant, and two part-time officers who work varying hours. In addition, LPD contracts with the Medina County Sheriff's Office for dispatch services. **Table 3-8** shows the 2005 Police Department staffing for Lafayette and the peers.

**Table 3-8: 2005 Police Staffing for Lafayette and Peers**

	Lafayette		Brunswick Hills		Russell		Peer Average	
	Positions	FTEs	Positions	FTEs	Positions	FTEs	Positions	FTEs
Police	6.0	4.7	10.0	10.0	13.0	11.5	11.5	10.8
Total Activity <sup>1</sup>		2,523		5,057		4,739		4,898
Citizens <sup>2</sup>		5,476		5,469		5,529		5,499
Square Miles		23.2		12.5		19.2		15.9
Total Activity per FTE		536		506		377		442
Citizens per FTE		1,165		547		474		511
Square Miles per FTE		4.9		1.3		1.7		1.5

**Source:** Lafayette and peer townships

**Note:** Guilford and Randolph were not used because they contract with their respective County Sheriff's Offices for policing services. Russell has a full-time police department, similar to Lafayette.

<sup>1</sup> Total activity equals total traffic stops and calls dispatched.

<sup>2</sup> Citizens are from the 2000 census

**Table 3-8** shows that LPD has the lowest staffing level in comparison to the peers. As a result, LPD is responsible for more square miles and citizens per FTE. **Table 3-8** also shows that while LPD handled a level of police activity per FTE similar to Brunswick Hills, it handled approximately 42 percent more activity per FTE than Russell in 2005. However, Lafayette's police activity per FTE is lower than other municipal police departments. According to a national survey of municipal police departments (Ammons' *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards – 2001*), the average calls for service per police FTE was 706 from 1995 through 1999. Additionally, Brunswick Hills and Russell activity levels in 2004 were

higher than in 2005. Based on 2004 activity levels and assuming the peers' police staffing levels in 2004 were similar to 2005, Brunswick Hills and Russell's activity per FTE was 546 and 492, respectively, in 2004. As shown in **Table 3-8**, these ratios are more comparable to Lafayette.

Due to some reporting inconsistencies between LPD and the Medina County Sheriff's Office, Lafayette's average response times could not be accurately determined. This inhibits the Township from ensuring LPD is responding to calls in a timely manner. According to Ammons' *Municipal Benchmarks*, municipalities often judge their police departments, in part, on the promptness with which they respond to emergencies. Based on information from 38 cities examined in this publication, the median time from dispatch until arrival was 4 minutes and 31 seconds. The median response time from the time of the initial call until arrival was 5 minutes and 37 seconds for 11 other cities. This publication also indicates that various studies of comparative performance confirm the reasonableness of a 5-minute standard for excellent police emergency response, especially if response time is perceived to include the time from dispatch until arrival.

The peer police departments are staffed primarily with full-time officers. The Brunswick Hills police department indicated that its higher staffing levels are necessary due to a significant growth in population since the 2000 census and because they are surrounded by large metropolitan areas, such as the City of Brunswick and City of Strongsville. As a result, Brunswick Hills estimates that it has a population of 150,000 within a five mile radius and three interstates within its jurisdiction, both of which can cause the daytime population to be significantly higher than the figure reported in **Table 3-8**. In contrast, Lafayette is largely a residential community that has not experienced the same amount of residential and commercial growth in recent years, resulting in a more static daytime population and less traffic activity when compared to Brunswick Hills. For example, **Table 2-7** in the financial systems section shows that Lafayette issued 313 residential and 3 commercial building permits in 2005 while Brunswick Hills issued 951 residential and 39 commercial building permits during the same time period.

The differences in each township's economic makeup impact the financial situation for each police department. **Table 3-9** shows the total revenues and expenditures for Lafayette during the last two years and the peers for 2004.

**Table 3-9: Police Fund Revenues, Expenditures and Activity**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Russell 2004	Peer Average
Police Fund Revenues	\$333,004	\$316,929	\$812,833	\$713,895	\$763,364
Police Fund Expenditures <sup>1</sup>	\$372,524	\$368,719	\$749,256	\$836,240	\$792,748
Citizens	5,476	5,476	5,469	5,529	5,499
<b>Revenues per Citizen</b>	<b>\$60.81</b>	<b>\$57.88</b>	<b>\$148.63</b>	<b>\$129.12</b>	<b>\$138.82</b>
<b>Expenditures per Citizen</b>	<b>\$68.03</b>	<b>\$67.33</b>	<b>\$137.00</b>	<b>\$151.25</b>	<b>\$144.16</b>
<b>Total Activity<sup>2</sup></b>	<b>2,523</b>	<b>2,523</b>	<b>5,466</b>	<b>5,659</b>	<b>5,563</b>
<b>Revenues per Activity</b>	<b>\$132.00</b>	<b>\$125.62</b>	<b>\$148.71</b>	<b>\$126.15</b>	<b>\$137.22</b>
<b>Expenditures per Activity</b>	<b>\$147.65</b>	<b>\$146.14</b>	<b>\$137.08</b>	<b>\$147.77</b>	<b>\$142.50</b>

Source: Lafayette and peer townships

<sup>1</sup> The figures presented in **Table 3-9** were submitted by the Township to AOS through the Uniform Accounting Network for compliance with financial reporting requirements. However, during the course of this audit, AOS and the Trustees identified several instances in which certain Police Department obligations were charged to the General Fund. This indicates that the expenditures shown in **Table 3-9** may be understated. See the **financial systems** and **financial forecast** sections of the performance audit for more details concerning account coding.

<sup>2</sup> Total activity equals traffic stops and calls dispatched. Lafayette could not accurately determine the 2004 activity levels. Therefore, it is assumed that the 2004 activity levels were similar to the 2005 figures.

**Table 3-9** shows that Lafayette's police department is receiving significantly less in total revenues and revenues per citizen than the peers, and has experienced operating deficits within the Police Fund the last two years (see **financial systems** section for description of police department funding sources). However, **Table 3-9** also shows the Township's revenues and expenditures per activity are comparable to the peer averages. These ratios indicate that the higher police staffing levels reported in **Table 3-8** for Brunswick Hills and Russell are due to higher activity levels and an ability to afford the additional policing staff. Lafayette's low revenues are partially due to having lower commercial and residential land values as a result of not making economic development a priority in the past (see **R2.18** in the **financial systems** section of report). Coupled with the Township's current demographic makeup, LPD's level of expenditures appear adequate to address its current level of policing activity. Nevertheless, LPD could achieve potential cost savings and improvements in operations (see the **police** section for more information).

LPD's current staffing level appears appropriate in the short-term, based on the activity per FTE being similar to Brunswick Hills but lower than the national average, and in consideration of the Township's current demographic makeup. However, Lafayette's Police Fund revenues and level of activity could increase significantly in the near future. The Township recently worked with the Medina County Board of Commissioners and the University of Akron to create a Medina County campus and technology park that is

expected to be located within Lafayette Township. The project will be completed in September, 2007. Although the University of Akron portion of the project is tax exempt, the Township should realize an increase in revenues from the technology park. In addition, the economic development sub-section of this performance audit identifies several recommendations that will assist the Township in increasing the commercial and residential tax base (see **R2.18, R2.19, R2.20**). By assessing and monitoring the impact of the campus and technology park, as well as other economic development strategies, the Township would be able to determine the need to increase police department staffing levels in the future, thereby ensuring LPD could effectively handle potential increases in the level of police activity.

- R3.7 Because the Township already has a low operating cost for the zoning function, the Trustees should carefully analyze the proposed contract with the County to ensure that all costs and benefits have been considered. However, if the County can improve the professionalism and service level of the zoning function, the benefits of the contract may offset some additional charges. If the Township maintains its internal zoning function, it should ensure that its zoning inspectors have the appropriate knowledge and qualifications to effectively perform this function.**

Zoning personnel are paid by stipend in Lafayette and all the peer townships. **Table 3-10** shows the stipend cost for the zoning personnel for Lafayette and the peers in 2005.

**Table 3-10: Zoning Stipend Cost for Lafayette and Peers**

	Lafayette	Brunswick Hills	Guilford	Randolph	Peer Average
<b>Zoning Inspector and Secretary Annual Stipends</b>	\$10,349	\$32,792	\$14,100	\$27,144	\$24,679
<b>2005 Permits</b>	316	990	125	98	404
<b>Cost per Building Permit</b>	<b>\$32.75</b>	<b>\$33.12</b>	<b>\$112.80</b>	<b>\$276.98</b>	<b>\$61.04</b>
<b>Cost per Citizen</b>	<b>\$1.89</b>	<b>\$6.00</b>	<b>\$2.59</b>	<b>\$4.93</b>	<b>\$4.51</b>

**Source:** Lafayette Township, peers and Medina and Portage County Building Departments

**Table 3-10** shows that Lafayette's stipend costs per building permit and per citizen are significantly lower than the peer averages. Despite the low costs, the Township is considering a contract with Medina County for zoning inspection services in 2006, depending on the cost of the services. The Trustees indicated that the Medina County Zoning Office can improve the service level of the zoning function based on the training and qualifications of the County zoning inspectors. By comparison, the Township currently hires citizens to serve as zoning inspectors and does not require any related professional experience.

*Employee Salaries*

**R3.8** Based on comparisons to peers, the Township should consider re-evaluating the police department salaries. However, prior to making any adjustments to the police department salaries, the Township should take steps to improve the financial condition of the Police Fund by implementing the recommendations in this performance audit and identifying other appropriate measures to increase revenues and reduce costs (see the financial forecast section for more details). To help determine the appropriate salaries for these positions, the Trustees should consider conducting an updated survey of salaries around the area for police departments. The Trustees should then adjust the survey results to reflect the Township's size, activity levels and financial condition, and include assessments of employee performance when adjusting salaries.

Lafayette Township determines salaries for non-elected positions by requesting information from the Medina County Human Resources Department regarding wage increases granted at the county level. The Trustees use this information as a baseline and then make adjustments based on individual employee performance and the Township's financial condition. In addition, the Trustees indicated that the Township performs a survey every four to five years to determine what neighboring localities pay their employees. The salaries for the Township Trustees and the Clerk (elected positions) are established in accordance with Ohio Revised Code §507.09 and §505.24. **Table 3-11** shows the 2005 salaries for non-elected positions at Lafayette and the peers.

**Table 3-11: 2005 Salaries by Position for Lafayette and Peers**

Position	Lafayette	Brunswick Hills	Guilford	Randolph	Russell
Zoning Inspector	\$4,800	\$27,503	\$7,200	\$27,144	NA
Zoning Secretary	\$6,600	\$5,289	NA	NA	NA
Service/Roads – Average	\$34,601	\$30,680	\$35,360	\$38,636	N/A
Fire Chief	\$37,080	\$20,000	\$2,500	NA	NA
Assistant Fire Chief	NA	\$16,995	\$1,300	\$35,880	NA
Fire Inspector	NA	NA	\$8,700	NA	NA
Police Chief	\$44,346	\$63,295	NA	NA	\$67,895
Police Lieutenant	NA	\$51,376	NA	NA	\$58,445
Police Sergeant	\$17.76 / hour	\$21.98 / hour	NA	NA	\$25.91 / hour
Patrolmen – Average	\$14.24 / hour	\$19.83 / hour	NA	NA	\$15.13 / hour

Source: Lafayette and peer townships

As illustrated in **Table 3-11**, Lafayette's salaries differ from the peers in most of the employee classifications. Explanations for these differences include the following:

- **Zoning:** Lafayette and each of the peers pay their zoning inspectors and secretaries through annual stipends instead of an hourly salary. **Table 3-11** shows that the Township's annual stipend for the zoning inspector and the zoning secretary are less than Brunswick Hills and Randolph. **Table 3-10** (see **R3.7**) also shows that the Township's total expenditures for zoning are less than the peers on a per citizen basis and per building permit basis. However, in an effort to improve the service level of the zoning function, the Township is considering eliminating the zoning positions and contracting with Medina County for zoning inspection services in 2006. The final decision will depend on the cost of the contract (see **R3.7**).
- **Fire:** Lafayette's fire department is currently all volunteer except for the Fire Chief, which is a full-time position. The volunteers are paid a stipend based on the number and type of calls for which a response is required. The Fire Chief is paid an annual salary. Although **Table 3-11** shows that the Township's Fire Chief earns more than the peers, Randolph's fire chief and EMT chief are also Township Trustees and therefore unable to collect salaries or stipends. However, Randolph has an Assistant Chief who earns \$35,880 per year, which is slightly less than Lafayette's Fire Chief. In addition, Brunswick Hills has both a part-time Fire Chief and an Assistant Fire Chief whose combined salaries are similar to the Fire Chief in Lafayette. Therefore, since Lafayette does not employ an assistant fire chief, the salary for the Fire Chief position appears reasonable.
- **Service:** **Table 3-11** shows that although Lafayette's average salary for the service/roads staff is lower than Randolph, it is comparable to Guilford and higher than Brunswick Hills. Additionally, given that Brunswick Hills is contracting for certain functions that are completed by Lafayette's service/road employees, the Township's salaries for the service/road employees appear reasonable.
- **Police:** **Table 3-11** shows that Lafayette's salaries for the Police Chief, Sergeant, and Patrolmen are lower than Brunswick Hills and Russell Township. The lower salaries can be attributed to the financial difficulties the Township has recently encountered in the Police Fund. **Table 3-9** (see **R3.6**) shows the Township had operating deficits in the Police Fund the last two years. In response to the financial difficulties, the Township did not provide COLAs and eliminated all overtime for police in 2005. Although Lafayette's police salaries are lower than the peer and average salaries in the survey, it will be difficult for the Township to significantly increase the salaries in the near future without addressing the current problems in the Police Fund.

*Employment Policies & Procedures*

- C3.2** By purchasing uniforms directly from the supplier or reimbursing employees for uniform purchases rather than providing annual stipends, the Township ensures that uniforms are purchased as needed and the funds are spent in an appropriate manner.
- R3.9** The Township should consider revising its minimum call-in policy and only guaranteeing one hour of pay. This would make the Township's policy more consistent with the peers while potentially lowering salary costs. In addition, the Township should require that employees give at least a one day advance notice if they intend to use personal leave. This would allow the Township to determine staffing and work requirements ahead of time in an effort to minimize the impact of absences on productivity and/or substitute and overtime costs.

Lafayette's employees are not members of unions. As a result, the Township uses a formal handbook adopted by the Trustees to describe its employment policies and procedures. Similarly, Brunswick Hills' non-police employees, and all of Guilford and Randolph Township's employees are non-union. The Brunswick Hills' police employees are members of the Fraternal Order of Police Labor Council. **Table 3-12** shows selected employment policies and procedures in place at Lafayette and the peers.

**Table 3-12: Comparison of Employment Policies & Procedures**

	Lafayette Township	Brunswick Hills Township	Guilford Township	Randolph Township
<b>Length of work week</b>	40 Hours	40 Hours	40 hours	40 hours
<b>Minimum Call-In Hours Paid</b>	2 hours	3 hours - Police No stated minimum for other employees	1 hour	1 hour
<b>Vacation time accumulation</b>	1 yr.- 1 week 2 - 4 yrs – 2 weeks 5 yrs or more – 3 weeks 7 years or more- one additional day per year up to 4 weeks	1 yr. – 1 week 2- 5 yrs – 2 weeks 6-7 yrs – 11 days 8-9 yrs – 12 days 10 years – 15 days 11-12 yrs – 16 days 13-14 yrs – 17 days 15-16 yrs – 18 days 17-19 yrs – 20 days 20 yrs – 25 days 25 yrs – 30 days Police: After 1 yr. – 1 week After 2 yrs – 2 weeks After 6 yrs – 3 weeks After 10 yrs – 4 wks After 15 yrs – 5 wks	1 yr – 1 week 2-10 years - 3 weeks After 10 years – an additional day per year up to 4 weeks	1-7 years– 2 weeks 8 – 14 years – 3 weeks 15 -25 years – 4 weeks After 25 years – 5 weeks
<b>Sick leave Days</b>	12 days per year	Police-15 days per year All Others - 12 days per year	18 days per year	7 days per year but provides some flexibility for long term illnesses
<b>Maximum Sick Leave Accrued</b>	36 days	No maximum	120 days	7 days
<b>Maximum Sick Leave Paid At Retirement</b>	36 days	50 percent of accumulation	120 days paid at: 5- 10 years - 25% 11-24 years increases 5%/year 25 years – 100%	7 days
<b>Personal Days Leave</b>	1	None	1	None
<b>Personal Days Notice</b>	2 hours	Written Request only	Flexible	None
<b>Number of Holidays</b>	10	10	10	11
<b>Uniform Allowance</b>	None- Reimburse or direct pay to supplier	Township provides uniform – no allowance Police - \$600/ year + bullet proof vests every 5 years	None – Uniforms provided by Township	None – Uniforms provided by Township
<b>Longevity Pay</b>	\$3 per month up for each full month worked	\$40/year after 5 years	Not currently, but is investigating possibility.	None
<b>COLA</b>	3%	Not stated	3% hourly only	Not stated

Source: Lafayette and peers

**Table 3-12** shows that with the exception of the minimum call-in hours and the required notice for using a personal day, the Township's employment policies are comparable to the peers. The Township provides all of its employees with a two hour minimum guarantee for emergency call-ins. By comparison, Guilford and Randolph only provide a one hour guarantee while Brunswick Hills does not have a guarantee for its non-police employees. Although the Trustees indicated that it is rarely necessary to call-in an employee for an emergency situation, this policy could result in higher costs for the Township in the few instances where an emergency exists that can be addressed in less than one hour.

The Township provides employees with one personal day per year, which is similar to Guilford Township. Although Brunswick Hills and Randolph do not offer personal leave, they do provide their employees with a maximum of five weeks of vacation leave while Lafayette and Guilford employees can only accrue a maximum of four weeks of vacation leave. However, Lafayette only requires a two hour advance notice from employees requesting to use personal leave. The policy to require less than 24 hours notice for the use of personal leave can have a negative impact on productivity and potentially increase operating costs if substitutes and/or overtime are needed to cover absences.

The Township's policy to reimburse employees for uniform costs, which requires trustee approval beforehand, or to directly contract with a vendor for purchasing and maintaining uniforms is consistent with Guilford and Randolph. However, Lafayette applies this policy to all employees, including police officers, while Guilford and Randolph do not have full-time police departments. Brunswick Hills has a police department and they provide all police employees with a \$600 annual stipend to be used for purchasing and maintaining uniforms. Lafayette's policy for police officers is more cost-effective than providing annual stipends because the Township can purchase uniforms as they are needed while ensuring that the uniform monies are spent as intended.

## Matter for Further Study

As part of the staffing analysis, the Township's Fire Department operating costs were compared to the peers. A more detailed staffing analysis was not possible since the Township uses volunteers and only has one full-time employee within the Fire Department (Fire Chief). The volunteers are paid a stipend based on the number and types of calls for which a response is required. **Table 3-13** shows the cost per fire and EMS call for Lafayette and the peers for 2004, and includes Lafayette's costs and calls for 2005.

**Table 3-13: Fire/Ambulance Salary and Benefit Costs for Lafayette and Peers**

	Lafayette 2004	Lafayette 2005	Brunswick Hills	Guilford	Randolph	Peer Average
<b>Fire/Ambulance Salary/Benefit Costs</b>	\$121,554	\$120,011	\$253,515	\$177,964	\$164,764	\$198,748
<b>Fire/EMS Calls</b>	403	409	529	722	431	561
<b>Cost per Fire/Ambulance Call</b>	\$301.62	\$293.43	\$479.23	\$246.49	\$382.28	\$354.27

**Source:** Lafayette and peer townships

**Table 3-13** shows that Lafayette spent less than the peer average for fire and ambulance services in 2004 and 2005. The costs decreased slightly in 2005 due to a decline in benefit costs that may be attributable to the late payments for health insurance and workers' compensation (See **R3.1** and **R3.3**.) Based on the table above and the salary analysis in **R3.8**, Lafayette's Fire Department staffing and salary levels appear comparable to the peers. However, Guilford and the Village of Seville have negotiated an agreement to combine their resources for fire and EMS services. As a result, Guilford has been able to achieve a cost per fire and EMS call which is significantly lower than Lafayette and the other peers.

The agreed upon scope for the human resources section of this project included assessments of the Township's staffing, salary, benefit and employment policies. A detailed analysis of Fire Department operating practices was outside the scope of this audit. However, based on the cost per fire and EMS call reported by Guilford, the Trustees should consider the feasibility of negotiating a similar agreement with a neighboring community.

In addition, the County Dispatch and the Fire Department both track response times. However, the times reported by both agencies are significantly different and neither agency is able to easily differentiate between response times for emergency and non-emergency situations. Therefore, consistent with the recommendation to the Police Department (see **R3.6**), the Township should work with the Medina County Sheriff's Office to resolve the reporting inconsistencies concerning Fire Department response times.

## Financial Implications Summary

The following table summarizes the estimated annual costs and annual cost savings identified in recommendations presented in this section of the report.

### Summary of Financial Implications

<b>Recommendation</b>	<b>Estimated Annual Cost</b>	<b>Estimated Annual Cost Savings</b>
<b>R3.1 Reduce health care costs</b>		\$27,000
<b>R3.2 Require employee contribution to health care</b>		\$14,200
<b>R3.3 Obtain early Workers Compensation discount</b>		\$1,000
<b>R3.4 Hire a part time clerical employee</b>	\$20,600	
<b>R3.5 Reduce 0.7 FTE in Service</b>		\$29,000
<b>Total</b>	<b>\$20,600</b>	<b>\$71,200</b>

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# Police Operations

## Background

This section of the performance audit focuses on Lafayette Township's Police Department (LPD) operations. The objective is to analyze the police department operations and develop recommendations for improvements. Data from sources such as the Government Finance Officers Association (GFOA), the Michigan State Police, the Ohio Department of Administrative Services (DAS), and peer townships is used for comparisons throughout this section of the report. The peer townships include Brunswick Hills Township (Brunswick Hills) and Russell Township (Russell).

### *Organizational Structure & Staffing*

According to its mission statement, "...the LPD is dedicated to working in partnership with the citizens of Lafayette Township to enforce the laws and enhance the quality of life in our community." The LPD is staffed by four full-time officers (including the Chief and Sergeant), two part-time officers who work varying hours, and two part-time/auxiliary patrolmen. According to the Sergeant, auxiliary officers do not receive an actual salary or benefits, but must donate 16 hours per month to remain active. The Chief of Police is currently on medical leave and his duties are being filled by the Sergeant on an interim basis. **Table 4-1** compares LPD's FTE staffing levels to the peers by classification.

**Table 4-1: 2005 Police Department Staffing Levels on an FTE Basis**

Positions	Lafayette	Brunswick Hills	Russell	Peer Average
Chief	1.0	1.0	1.0	1.0
Lieutenant	0.0	1.0	1.0	1.0
Sergeant	1.0	2.0	1.0	1.5
Officer/Patrolmen	2.7	6.0	7.0	6.5
Clerk	0.0	0.0	1.5	0.8
<b>Total FTEs</b>	4.7	10.0	11.5	10.8

**Source:** Lafayette Township

**Note:** **Table 4-1** does not include auxiliary patrolmen

**Table 4-1** shows that LPD employs approximately 57 percent fewer employees than the peer average. Specifically, LPD is lower than the peer average in every category with the exception of the Police Chief position, where it is equal to the peers. LPD's lower staffing levels are partially due to the Township's lower level of policing activity. See **R3.6** in the **human resources** section for a detailed assessment of LPD's staffing levels.

LPD is responsible for patrolling the Township and conducting routine traffic stops, responding to calls for service, performing clerical duties, and assisting citizens. In addition to its law enforcement duties, LPD is responsible for carrying out various administrative and operational duties. These include vehicle management, grants management and purchasing.

### Financial Data

**Table 4-2** presents the Police Department's operational revenues and expenditures for 2003, 2004, and 2005.

**Table 4-2: Police Department Operating Revenues and Expenditures**

	Police Fund 2003	Police Fund 2004	Percent Change from 2003 to 2004	Police Fund 2005	Percent Change from 2004 to 2005
<b>Revenues:</b>					
Local Taxes	240,334	255,382	6.3%	269,464	5.5%
Intergovernmental	32,428	34,267	5.7%	36,400	6.2%
Fines & Fees	378	465	23.0%	4,028	766.2%
Other	5,238	42,890	718.8%	7,037	(83.6%)
<b>Total Revenues</b>	<b>\$278,378</b>	<b>\$333,004</b>	<b>19.6%</b>	<b>\$316,929</b>	<b>(4.8%)</b>
<b>Expenditures:</b>					
Salaries	160,086	185,970	16.2%	186,542	0.3%
Benefits	64,568	101,101	56.6%	110,582	9.4%
Purchased Services	45,042	47,779	6.1%	55,489	16.1%
Supplies & Materials	5,306	6,229	17.4%	6,968	11.9%
Other	1,101	744	(32.4%)	697	(6.3%)
Capital Outlay	1,544	22,748	1,373.3%	8,441	(62.9%)
Debt Service	15,907	7,953	(50.0%)	0	(100.0%)
<b>Total Operational Costs<sup>1</sup></b>	<b>\$293,554</b>	<b>\$372,524</b>	<b>26.9%</b>	<b>\$368,719</b>	<b>(1.0%)</b>

Source: Lafayette Township

<sup>1</sup> The figures presented in **Table 3-9** were submitted by the Township to AOS through the Uniform Accounting Network for compliance with financial reporting requirements. However, during the course of this audit, AOS and the Trustees identified several instances in which certain Police Department obligations were charged to the General Fund. This indicates that the expenditures shown in **Table 3-9** may be understated. See the **financial systems** and **financial forecast** sections of the performance audit for more details concerning account coding.

As shown in **Table 4-2**, LPD had operating deficits in the Police Fund during each of the past three years. The large increase in revenues in 2004, and the subsequent decline in 2005, is due to the Police Fund receiving a General Fund transfer for \$40,000 in 2004 in an effort to mitigate the operating deficit. The increase in the fine and fee collections in 2005 is due to a large settlement received from the Municipal Court as part of a plea bargain entered into by a defendant. Explanations for significant variances in the expenditures include the following:

- **Salaries & Wages-** Salaries and wages increased approximately 16 percent from 2003 to 2004 due to the hiring of two part-time officers and an increase in overtime. There was minimal change from 2004 to 2005 due to the suspension of overtime and the fact that the Township did not grant cost of living adjustments for LPD employees. See **R3.6** and **R3.8** in the **human resources** section for further details concerning LPD staffing and salary levels.
- **Benefits-** The 57 percent increase from 2003 to 2004 is due to increased health care costs and a workers' compensation payment of approximately \$19,000 in 2004, which was much higher than the payment of only \$1,000 in 2003. See **C3.1** and **R3.3** of the **human resources** section for further details concerning workers compensation. The nine percent increase from 2004 to 2005 can be attributed to rising health care costs. In addition, the Township's failure to pay its monthly health insurance premiums on a timely basis could also contribute to higher health care costs in the past (see **R3.1** and **R3.2** in the **human resources section**).
- **Purchased Services-** Purchased services increased by 16 percent from 2004 to 2005. This is attributed to rising fuel costs and a balloon payment within the mobile data terminal (MDT) lease agreement. For example, the Township paid \$11,443 through the lease agreement in 2005 while the expenditure was only \$4,218 in 2004. Please see **R4.5** for discussion concerning the MDT lease agreement.
- **Supplies & Materials-** LPD attributed the large increases in supplies and materials during the last two years to the purchase of a new radio set in 2004 and to increases in radio repair costs in 2005.
- **Capital Outlay-** Capital outlay increased significantly from 2003 to 2004 due to the purchase of four digital cameras at a cost of approximately \$5,000 per camera (see **R4.5**). The decline in 2005 is due to the Township's efforts to limit spending within the Police Fund.

### *Assessments Not Yielding Recommendations*

An assessment of the following area was conducted but did not warrant any changes or yield any recommendations:

- **Sick leave usage:** LPD's average sick leave usage rate was approximately 31 hours per FTE in 2005 while the state average for employees represented by the Fraternal Order of Police was approximately 35 hours, as reported by the Ohio Department of Administrative Services. This indicates that the LPD's sick leave usage rates are within acceptable limits.

## Recommendations / Commendations

### Vehicle Management

**R4.1** Although LPD has the lowest maintenance costs per vehicle, citizen and policing activity when compared to the peers, the Trustees should consider implementing a more formalized purchasing process so that more items are purchased in a competitive environment. For example, if the Trustees adopted a policy that required all purchases costing more than \$100 to have a minimum of two price quotations, the Township would have some assurance that it is receiving the best price for routine purchases. Within this policy, the Trustees should also require that the price quotes be noted on the purchase order for documentation purposes. In addition, the Township should consider contacting neighboring municipalities or school districts to determine if any opportunities exist to contract for vehicle maintenance at reduced prices.

Table 4-3 shows police department vehicle maintenance costs for LPD and the peers.

**Table 4-3: Police Department Maintenance Costs**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Russell 2004	Peer Average
Maintenance Cost <sup>1</sup>	\$9,692	\$10,024	\$34,236	\$26,756	\$30,496
Population	5,476	5,476	5,469	5,529	5,499
Number of vehicles	5	5	9	5	7
Police Activity <sup>2</sup>	2,523	2,523	5,466	5,659	5,563
Maintenance Cost per citizen	\$1.77	\$1.83	\$6.26	\$4.84	\$5.55
Maintenance Cost per vehicle	\$1,938	\$2,005	\$3,804	\$5,351	\$4,578
Maintenance Cost per Policing Activity	\$3.84	\$3.97	\$6.26	\$4.73	\$5.50

Source: Lafayette and the peers

<sup>1</sup> The figures presented in Table 3-9 were submitted by the Township to AOS through the Uniform Accounting Network for compliance with financial reporting requirements. However, during the course of this audit, AOS and the Trustees identified several instances in which certain Police Department obligations were charged to the General Fund. This indicates that the expenditures shown in Table 3-9 may be understated. See the **financial systems** and **financial forecast** sections of the performance audit for more details concerning account coding.

<sup>2</sup> Police activity equals traffic stops and calls dispatched. Lafayette could not accurately determine the 2004 activity levels. Therefore, it is assumed that the 2004 activity levels were equal to the 2005 figures.

As shown in Table 4-3, Lafayette's total maintenance cost, maintenance cost per citizen, maintenance cost per vehicle, and maintenance cost per activity are substantially lower than the peers. This can be attributed, in part, to the age and mileage of the Township's vehicles (see Table 4-4), and the financial difficulties within the Police Fund during the last two years. For example, Table 4-2 shows that the Township had operating deficits in

the Police Fund of approximately \$40,000 in 2004 and \$52,000 in 2005. As a result, LPD has been trying to limit all discretionary spending during the last two years, including costs related to vehicles.

LPD currently uses two different vendors for its maintenance needs. One vendor handles all maintenance other than tires and was chosen because they are certified mechanics that are located in Lafayette Township. In addition, LPD indicated that the vendor also provides quick service at a reasonable price and prioritizes LPD's repairs. The other vendor handles all repairs or maintenance involving tires and alignments, and was selected for similar reasons. LPD indicated that there was no bidding process involved in choosing either vendor and contracting with neighboring communities for vehicle maintenance services has not been considered in the past. Furthermore, the Trustees do not have any formal purchasing policies in place that require competitive bidding or formal price quotes for commonly used items or services. The lack of a competitive bidding process and the failure to consider the possibility of contracting with neighboring communities could result in the Township not be receiving the best price for vehicle maintenance and repairs.

**R4.2 Lafayette should draft and approve a vehicle replacement plan that describes its strategy for vehicle replacement in future years. This plan should be updated periodically and include the number of vehicles to be replaced each year, the age, mileage, maintenance costs, and estimated cost at the time of replacement. All vehicle replacement decisions should be based on economic modeling that allows for replacement at the most advantageous point in the vehicle's life cycle.**

**Based on the low age, mileage and maintenance costs of LPD's fleet, its current staffing levels, and the level of policing activity (see R3.6 in human resources), the Township should suspend purchasing new vehicles for at least three years and focus on continuing proper maintenance, which could extend the useful life of the vehicles. Implementing a formal vehicle rotation system whereby older vehicles are used as spares and for less strenuous duties (making court appearances, driving to training, etc.) would also assist in extending the useful life of the fleet.**

**Lafayette should review the impact of future growth and economic development on LPD's activity, staffing, and fleet size (see R3.6 in human resources and the economic development subsection in financial systems). If the Township decides not to pursue economic development and the Township's level of policing activity remains stable, it should then consider reducing LPD's active fleet to three vehicles by selling the three oldest vehicles or using them as spares. This would result in each patrol officer having access to at least three vehicles per shift and a ratio of vehicles per FTE more comparable to the peers. This could also generate savings associated with reduced maintenance and insurance costs**

**Table 4-4** shows the average age and mileage of vehicles for Lafayette and the peers.

**Table 4-4: Township Police Vehicle Comparison**

	Lafayette	Brunswick Hills	Russell	Peer Average
Marked vehicles	6	7	4	5.5
Unmarked vehicles	0	2	1	1.5
Total number of vehicles	6	9	5	7
Average mileage	67,456	105,791	88,132	96,961
Average vehicle age (years)	4.2	4.6	5.4	5
Total FTEs	4.7	10.0	11.5	10.8
Total FTEs per Vehicle	0.8	1.1	2.3	1.5

Source: Lafayette and the peers

**Table 4-4** shows that Lafayette is higher than the peer average in total number of vehicles, but is lower in average mileage and average fleet age. This indicates that LPD has a relatively young police fleet. Additionally, LPD maintains more vehicles for its police officers than the peers, as shown by its lower ratio of FTEs per vehicle. Lafayette assigns one officer per shift. This means that there is a ratio of six vehicles for every one officer on shift.

LPD indicated that there is no formal vehicle replacement plan in place that defines the criteria for determining when to replace vehicles. Historically, the informal plan has been for LPD to replace its oldest vehicle every year. Since there are six cars, this means that each car typically has a six-year useful life. LPD's last vehicle purchases occurred in 2005, when it purchased two vehicles. According to LPD, the Township purchases new vehicles through the state bid process at a cost of approximately \$19,700 per vehicle.

A survey by the Michigan State Police examined vehicle rotation and replacement. The survey indicated that most police agencies in Michigan take their patrol cars out of service between 60,000 and 100,000 miles, with the primary determinant being the perceived wear and tear on the vehicle. For example, police agencies that engage in monitoring speed limits and are involved in high speed chases tend to replace the vehicles at lower mileage figures based on the additional wear and tear on the vehicle. The Michigan survey also noted that at the extreme ends of the mileage spectrum, some police departments were only using vehicles up to 45,000 miles while others were using them up to 150,000 miles. **Table 4-5** provides a specific breakdown of the LPD's fleet based on age and mileage.

**Table 4-5: Lafayette Fleet Information**

Car	Mileage	Year	Age
Ford Crown Victoria	111,753	1999	7
Ford Crown Victoria	44,200	2000	6
Ford Crown Victoria	152,800	2002	4
Ford Crown Victoria	55,481	2004	2
Ford Crown Victoria	23,400	2005	1
Ford Expedition	17,100	2005	1
<b>Average</b>	<b>67,456</b>		<b>4.2</b>

Source: Lafayette Township

**Table 4-5** shows that three of the six vehicles have less than 45,000 miles. Based on an estimate of 25,000 miles per vehicle per year, which is in line with the miles accumulated by the new Crown Victoria in 2005, the two newest vehicles in the fleet will not reach 100,000 miles until the end of 2008. In addition, the 2000 Ford Crown Victoria and the 2004 Ford Crown Victoria will not reach 100,000 miles until the end of 2007. The 100,000 mile benchmark appears reasonable based on peer comparisons (see **Table 4-4**) and the Michigan survey, particularly since LPD probably is not experiencing the same level of wear and tear as entities that are involved in high speed activities on a regular basis. This analysis assumes that LPD would primarily be using the three vehicles with the lowest mileage over the next three years, which appears reasonable because LPD typically assigns only one patrol officer per shift. Moreover, maintaining only three vehicles would result in a ratio of 1.6 FTEs per vehicle, which is similar to the peer average of 1.5. However, while operating with three active vehicles may be appropriate in the short-term, the level of policing activity could increase in the future depending on the level of economic development and overall growth in the Township. This could result in increased staffing for LPD, and a corresponding need to increase the vehicle fleet (see **R3.6** in the **human resources** section and the **economic development** subsection in **financial systems**).

*Financial Implication:* A decision to suspend purchasing new vehicles for three years would result in a total cost avoidance of approximately \$60,000.

### *Overtime Use*

**C4.1 The Township is commended for achieving a 65 percent reduction in the cost of Police Department overtime in 2005, which is due to improved monitoring and enacting policies to limit overtime use. In addition, the Township should be able to achieve additional cost reductions in 2006 by continuing these practices.**

**Table 4-6** compares police department overtime for Lafayette and the peers.

**Table 4-6: Police Department Overtime Comparison**

	Lafayette 2004	Lafayette 2005	Percentage Change 2004 to 2005	Brunswick Hills 2004 <sup>1</sup>	Russell 2005	Peer Average
<b>Overtime Hours</b>	960	320	(67%)	384	108	246
<b>Total FTEs</b>	4.5	4.7	4%	10.0	11.5	10.8
<b>Hours per FTE</b>	213.4	68.1	(68%)	38.5	9.4	23.9
<b>Cost<sup>2</sup></b>	\$23,110	\$8,167	(65%)	\$9,221	\$3,793	\$6,507
<b>Cost per hour</b>	\$24.07	\$25.52	6.0%	\$23.98	\$35.12	\$29.55
<b>Population</b>	5,476	5,476	N/A	5,469	5,529	5,499
<b>Cost per citizen</b>	\$4.22	\$1.49	(65%)	\$1.69	\$0.69	\$1.19
<b>Police Activity<sup>3</sup></b>	2,523	2,523	N/A	5,466	5,659	5,563
<b>Cost per Activity</b>	\$9.16	\$3.24	(65%)	\$1.69	\$0.67	\$1.18

**Source:** Lafayette and the peers

<sup>1</sup> 2004 Information was used as Brunswick Hills could not provide 2005 data. Therefore, FTEs for Russell in 2005 are assumed to be the same as in 2004.

<sup>2</sup> The figures presented in **Table 3-9** were submitted by the Township to AOS through the Uniform Accounting Network for compliance with financial reporting requirements. However, during the course of this audit, AOS and the Trustees identified several instances in which certain Police Department obligations were charged to the General Fund. This indicates that the expenditures shown in **Table 3-9** may be understated. See the **financial systems** and **financial forecast** sections of the performance audit for more details concerning account coding.

<sup>3</sup> Police activity equals traffic stops and calls dispatched. Lafayette could not accurately determine the 2004 activity levels. Therefore, it is assumed that the 2004 activity levels were equal to the 2005 figures.

**Table 4-6** shows that Lafayette's 2004 overtime hours, cost per citizen, and cost per activity were significantly higher than 2005. For both years, the number of overtime hours per FTE at LPD was higher than the peers. Although the acting Police Chief for LPD indicated that the 2004 figures may be inaccurate due to account coding issues, the Chief also noted that overtime is typically driven by court appearances and staff training. LPD had more of these activities in 2004 than in 2005. However, a lack of active monitoring also may have contributed to the higher costs in 2004. For example, the acting Police Chief and Trustees indicated that they were not receiving any type of report to show comparisons of overtime usage from month-to-month or year-to-year.

In 2005, LPD achieved significant reductions in overtime usage. According to the acting Police Chief, overtime use was closely monitored by LPD in 2005. In addition, the Trustees completely eliminated all overtime beginning in October, 2005 due to the financial difficulties in the Police Fund. Under the new plan, if officers work an extended shift, they must go home earlier on another day so they do not exceed their regular work hours. The Trustees also indicated that they are now receiving and discussing overtime usage reports that are prepared by the Clerk on a monthly basis. Since these actions were not implemented until October, 2005, they should help the Township further reduce overtime hours per FTE in 2006 to levels similar to the peers.

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*Budgeting & Purchasing*

**R4.3** The Trustees should consider decentralizing the budget development process to allow for more input from department heads. For example, the Trustees could allow the department heads to develop and submit the first proposal for the budget. The Trustees could then evaluate the proposal to ensure that the expenditures are in line with the Township's goals for the upcoming year and that they are within the anticipated revenues. The Trustees should work with the respective department head when making necessary adjustments. This process would ensure that the budget incorporates each department head's knowledge of departmental operations and needs. Implementing this recommendation may require the Township to start the budget development process earlier in the year (see R2.7). Furthermore, the Trustees and Clerk should ensure that the department heads are provided with budgetary and overtime reports on a monthly basis (see R2.2).

The Township should also consider developing and adopting a formal capital equipment plan. The plan should specify the Township's equipment needs, including timing and sequence, estimated costs, and potential funding sources. In addition, the plan should include an assessment of the Township's current equipment and the estimated remaining useful life for each item. Adopting and maintaining a capital plan would allow the Township to identify funding sources for large equipment purchases in advance rather than making mid-year adjustments to accommodate unplanned expenditures. Furthermore, the vehicle replacement plan discussed in R4.2 should serve as one component of the formal capital equipment plan.

The budget for LPD is based primarily on past history, with the Trustees making most of the decisions. For example, the Trustees inform the Police Chief of the amount of money that LPD will be receiving for the coming year and recommend how the funds should be allocated. The Police Chief does not play a significant role in the budgeting process. In the past, LPD was not provided with copies of the budget or monthly updates to allow for tracking or mid-year adjustments. The lack of financial reporting could have contributed to the weak budgeting and purchasing practices noted in the **financial systems** section and the higher overtime use shown in **Table 4-6**.

Since LPD's budget is based on past history and not future goals, there is no formal process for budgeting capital equipment. The Police Chief makes a request for capital equipment and it is sent to the Trustees and Clerk for approval. LPD does not have a formal capital plan and funds are not set aside in advance to allow for expensive equipment purchases in the future. The Government Finance Officers Association (GFOA) recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. GFOA also indicates that without a sound multi-year capital plan that clearly identifies capital and

major equipment needs, maintenance requirements, funding options, and operating budget impacts, it is extremely difficult for governments to address the current and long-term needs of constituents.

- R4.4 The Township should consider purchasing an automated fuel management system to enhance the security, accountability and management control over the central fuel site, as well as to enable tracking of key data (e.g., gallons). Once the Township is able to determine the actual amount of fuel used in a given year, the Township should also consider using competitive bidding or a consortium, such as the Ohio Department of Administrative Services, to determine if more cost effective pricing can be obtained for motor fuel. In addition, the Township should allocate fuel costs to each department based on the respective usage rates, and centrally track the fuel costs and gallons purchased to allow for easy cost comparisons.**

The Township purchases motor fuel from a contractor located in Medina County, and does not use a bidding process or consortium. A fuel delivery truck is used to transfer the fuel into the Township's above ground storage tanks. Each police vehicle has a key, which is used to turn on the power at the gas pump. No gas can be pumped without this key. The officers are supposed to track the gallons of fuel pumped by entering the information into the mobile data terminals in their vehicles. However, there are no safeguards in place to track the information if the officer forgets to log the fuel, or to stop the officer from filling a personal vehicle. As a result, the Township cannot accurately determine the amount of gasoline that was used in the past, which inhibits competitive bidding and makes cost comparisons to other vendors and consortiums difficult.

The central fueling site is also used by the service/road and fire departments. The acting Police Chief noted that in the past, the Township's practice was to charge each department equally for the cost of fuel, despite differences in usage rates and fuel types (diesel vs. unleaded). **Table 4-7** shows the fuel costs for Lafayette and the peers.

**Table 4-7: Comparison of Police Department Fuel Costs**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Russell 2004	Peer Average
<b>Fuel Cost<sup>1</sup></b>	\$10,159	\$10,758	\$21,975	\$14,470	\$18,223
<b>Population</b>	5,476	5,476	5,469	5,529	5,499
<b>Cost per citizen</b>	\$1.86	\$1.96	\$4.02	\$2.62	\$3.32
<b>Vehicles</b>	5	5	9	5	7
<b>Cost per vehicle</b>	\$2,032	\$2,152	\$2,442	\$2,894	\$2,668
<b>Police Activity<sup>2</sup></b>	2,523	2,523	5,466	5,659	5,563
<b>Cost per Activity</b>	\$4.03	\$4.26	\$4.02	\$2.56	\$3.29

**Source:** Lafayette and the peers

<sup>1</sup> The figures presented in **Table 3-9** were submitted by the Township to AOS through the Uniform Accounting Network for compliance with financial reporting requirements. However, during the course of this audit, AOS and the Trustees identified several instances in which certain Police Department obligations were charged to the General Fund. This indicates that the expenditures shown in **Table 3-9** may be understated. See the **financial systems** and **financial forecast** sections of the performance audit for more details concerning account coding.

<sup>2</sup> Police activity equals traffic stops and calls dispatched. Lafayette could not accurately determine the 2004 activity levels. Therefore, it is assumed that the 2004 activity levels were equal to the 2005 figures.

**Table 4-7** shows that while Lafayette's fuel costs per citizen and per vehicle were lower than the peers in 2004, the Township's fuel cost per activity was higher. However, because of the Township's accounting practices, some of LPD's past fuel costs may have been subsidized by the service/road and fire departments. As a result, the fuel costs depicted in **Table 4-7** could be understated, assuming that LPD uses more fuel than the service/road and fire departments. Furthermore, the Township could not easily provide the number of gallons purchased, which contributes to the overall fuel costs.

According to a vendor, an automated fuel management system would allow the Township to use a swipe card process to limit access to the fuel pumps as well as restrict vehicles to the type and quantity of fuel needed. In addition, the system will automatically track all the details of each fueling transaction including gallons used, person performing the fueling, and the time of the transaction. Tracking this data could help the Township accurately allocate the cost of fuel to each department, and aid in comparing fuel prices through a competitive bidding process and comparing them to applicable consortiums.

*Financial Implication:* According to one vendor, the implementation of an automated fuel system would result in an expenditure of approximately \$6,800 for the system equipment and approximately \$7,000 for the installation and labor. However, it is important to note that this cost estimate is based on a conservative estimate of the Township's hardware and software requirements. The Township may be able to reduce the actual cost of the fuel management system by receiving multiple price quotes, negotiating directly with the vendor, and limiting the hardware and software purchases to essential items. The Township could reduce fuel costs by competitive bidding or joining a consortium. However, the lack of accurate data to track the number of gallons used and

purchased, as well as the potential understatement of LPD's fuel costs prevents a reliable estimate of potential cost savings.

**C4.2 By contacting multiple vendors for price quotes and establishing corporate accounts at various office supply stores, LPD has been able to receive supply and material costs which are lower than the peers.**

In order to purchase supplies and materials, LPD sends a purchase request to the Clerk who certifies that the necessary funds are available. The Clerk then sends the purchase request to the Trustees for final approval. LPD has established corporate accounts with various office supply vendors in order to take advantage of discounted prices. A member of LPD also calls vendors in an effort to obtain the best price on supplies, such as ammunition. However, this is an informal process that is done without any written documentation (see **R4.1**). **Table 4-8** compares supply and material costs at LPD to the peers.

**Table 4-8: Supplies and Materials Cost Comparison**

	Lafayette 2004	Lafayette 2005	Brunswick Hills 2004	Russell 2004	Peer Average
<b>Expenditures for supplies and materials<sup>1</sup></b>	\$6,229	\$6,968	\$45,211	\$24,993	\$35,102
<b>Total expenditures</b>	\$372,524	\$368,719	\$749,256	\$836,240	\$792,748
<b>% of expenditures</b>	1.7%	1.9%	6.0%	3.0%	4.4%
<b>Population</b>	5,476	5,476	5,469	5,529	5,499
<b>Cost per citizen</b>	\$1.14	\$1.27	\$8.27	\$4.52	\$6.38
<b>Police Activity<sup>2</sup></b>	2,523	2,523	5,466	5,659	5,563
<b>Cost per Activity</b>	\$2.47	\$2.76	\$8.27	\$4.42	\$6.34
<b>Total FTEs</b>	4.5	4.7	10.0	11.5	10.8
<b>Cost per FTE</b>	\$1,384	\$1,483	\$4,521	\$2,173	\$3,250

Source: Lafayette and the peers

<sup>1</sup> The figures presented in **Table 3-9** were submitted by the Township to AOS through the Uniform Accounting Network for compliance with financial reporting requirements. However, during the course of this audit, AOS and the Trustees identified several instances in which certain Police Department obligations were charged to the General Fund. This indicates that the expenditures shown in **Table 3-9** may be understated. See the **financial systems** and **financial forecast** sections of the performance audit for more details concerning account coding.

<sup>2</sup> Police activity equals traffic stops and calls dispatched. Lafayette could not accurately determine the 2004 activity levels. Therefore, it is assumed that the 2004 activity levels were equal to the 2005 figures.

**Table 4-8** shows that LPD's total expenditures for supplies and materials, percentage of total expenditures spent on supplies and materials, cost per citizen, cost per activity and cost per FTE are all significantly lower than both peers.

*Technology*

**R4.5 The Township should incorporate all computer equipment, software and proposed additions/upgrades into the formal capital equipment plan discussed in R4.3. This would help ensure that the Township is purchasing only necessary computer equipment and software that will be used on a regular basis. In addition, active planning would help the Township identify alternative funding sources for technology purchases (e.g., grants – see R4.6) or set monies aside in advance to avoid the interest charges associated with lease agreements and debt financing.**

Lafayette has made efforts to equip its police vehicles with the latest technology. All vehicles in the department are equipped with mobile data terminals (MDTs), which are a variation of a laptop computer. In 2003, four MDTs, including modems, stands, and supporting software were purchased through a lease agreement at a cost of \$20,601. A fifth and final MDT, along with supporting equipment and software, was purchased in 2004 through the same lease agreement. MDTs are leased for a period of three years, after which they can be owned for \$1. LPD expects to own four MDTs by the end of 2006 while the final MDT will be owned at the end of 2007. In addition to the equipment, LPD has to pay an annual MDT service fee in order to receive software updates, technical support and maintenance services. The cost of the MDT service for Lafayette was approximately \$11,400 in 2005.

MDTs allow police officers to access information faster and more efficiently. For example, officers can process driver's licenses, license plates, and social security numbers through the MDT system and get instant results. Prior to the use of MDTs, the officer had to spend a significant amount of time acquiring this information by contacting a dispatcher and asking all these questions over the radio system.

According to the acting Police Chief, LPD is the only agency in Medina County to have digital video cameras installed in its vehicles. The cameras are mounted on each of LPD's vehicles and are used to record all activities during a traffic stop or other similar call for service. The information from the cameras is stored on hard drives, eliminating the need for video tapes. According to the acting Police Chief, the installation of these cameras has reduced time spent in court since there is now more definitive evidence to be used in prosecuting an accused lawbreaker. Four cameras were purchased in 2004 and one in 2005 at a cost of approximately \$5,000 each.

Brunswick Hills does not have any MDTs and the vehicles are equipped with cameras that record police activity using VHS tapes. Russell has three MDTs and two digital cameras. In contrast to the large expense incurred by Lafayette, Russell was able to use a COPS Equipment Grant to fully cover the cost of the MDTs. This includes all of the supporting equipment, software, installation and three years of software support service.

LPD may have been able to offset some or all of the MDT costs through more active grants management (see **R4.6**). In addition, formal vehicle replacement planning may have allowed the Township to reduce the cost of the MDT and digital video camera projects since LPD could operate with two fewer active vehicles based on its current staffing levels, and the age and mileage of its fleet (see **R4.2**).

### *Grants Management*

**R4.6 LPD should frequently research and pursue all available grant funding opportunities. In order to effectively do so, Lafayette should consider developing formalized grants management procedures, which would also facilitate cross-training and ensure operational continuity in the absence of personnel with knowledge of this function. LPD should also consider establishing a relationship with the Ohio Office of Criminal Justice Services (OCJS) to ensure that the Township is receiving all eligible grants. Furthermore, the Trustees should periodically monitor the Township's grant seeking activities to ensure grant funding is being actively pursued by LPD and other departments.**

LPD's grant research/writing function is performed informally by a Sergeant, who researches various websites to locate public safety and law enforcement grants. In addition to the responsibility of researching grants, the Sergeant is currently the acting Police Chief. The last grant received by LPD was in 2002. This was a Department of Defense grant for approximately \$30,000, which was used to purchase an M-16 and a thermal imaging device.

In comparison to Lafayette, Russell received a Child Locator Grant in 2003, which paid for a computer, monitor, and printer/scanner. In addition, Russell received a COPS Equipment Grant in 1999 for \$27,187, which fully funded the purchase of three MDTs. This grant was also available to Lafayette. Brunswick Hills received COPS Grants in 2003 for \$55,768, in 2004 for \$34,768, and in 2005 for \$23,785. It also received bulletproof vest grants in 2003 and 2004 for approximately \$1,700 per year. High ranking officials in the peer police departments informally research websites similar to Lafayette.

In addition to the federal grants listed above, grants are available through the Ohio Office of Criminal Justice Services (OCJS). OCJS has been established as the lead criminal justice planning agency for the state by the Ohio Revised Code. OCJS is organized into four main areas, including grants administration, grants planning and evaluation, justice technology, and the family violence prevention center. However, no grants were awarded to Lafayette or the peers by OCJS from 2002-2004. In addition, Lafayette does not have any direct contacts at OCJS. At the OCJS homepage, there is a list of available grants for the 2006 fiscal year. The following is an abbreviated list of available grants:

- Edward J. Byrne Memorial Justice Assistance Grant
- Family Violence Prevention and Services (FVPS)
- Residential Substance Abuse Treatment (RSAT)
- Violence Against Women
- Local Law Enforcement Block Grant (LLEBG)
- Justice Assistance Grant-Law Enforcement (JAG LE)

**Table 4-9** shows various resources for finding and applying for grant funding as identified by OCJS.

**Table 4-9: Grant Resources for Police Departments**

Available Grants	Website
<b>Finding Federal Grants</b>	
Catalog of Federal Domestic Assistance (CFDA)	<a href="http://www.cfda.gov">www.cfda.gov</a>
The Foundation Grants Index	<a href="http://www.fdncenter.org">www.fdncenter.org</a>
National Directory of Corporate Giving	<a href="http://www.fdncenter.org">www.fdncenter.org</a>
Federal Register	<a href="http://www.gpoaccess.gov/nara">www.gpoaccess.gov/nara</a>
Grants.Gov	<a href="http://www.grants.gov">www.grants.gov</a>
<b>Finding Private Grants</b>	
Foundation Directory	<a href="http://www.fdncenter.org/cleveland">www.fdncenter.org/cleveland</a>
<b>Identifying Federal Grant Source</b>	
Department of Justice (DOJ)	<a href="http://www.usdoj.gov">www.usdoj.gov</a>
National Institute of Justice (NIJ)	<a href="http://www.ojp.usdoj.gov/nij">www.ojp.usdoj.gov/nij</a>
Office of Juvenile Justice and Delinquency Prevention (OJJDP)	<a href="http://www.ojjdp.ncjrs.org">www.ojjdp.ncjrs.org</a>
Bureau of Justice Assistance (BJA)	<a href="http://www.ojp.usdoj.gov/bja">www.ojp.usdoj.gov/bja</a>
The Office of Victims of Crime	<a href="http://www.ojp.usdoj.gov/ovc">www.ojp.usdoj.gov/ovc</a>
<b>Identifying State Grant Sources</b>	
The Ohio Office of Criminal Justice Services (OCJS)	<a href="http://www.ocjs.ohio.gov">www.ocjs.ohio.gov</a>
Ohio Department of Public Safety (ODPS)	<a href="http://www.ohiopublicsafety.com">www.ohiopublicsafety.com</a>
Ohio Department of Alcohol and Drug Addition Services (ODADAS)	<a href="http://www.odadas.state.oh.us">www.odadas.state.oh.us</a>
Ohio Department of Education (ODE)	<a href="http://www.ode.state.oh.us">www.ode.state.oh.us</a>
Ohio Department of Health	<a href="http://www.odh.ohio.gov">www.odh.ohio.gov</a>
Ohio Department of Job and Family Services	<a href="http://www.jfs.ohio.gov">www.jfs.ohio.gov</a>
Ohio Department of Mental Health (ODMH)	<a href="http://www.mh.state.oh.us">www.mh.state.oh.us</a>
Ohio Department of Youth Services (ODYS)	<a href="http://www.dys.ohio.gov">www.dys.ohio.gov</a>
Ohio Attorney General	<a href="http://www.ag.state.oh.us/crimevic/crimevictimservices">www.ag.state.oh.us/crimevic/crimevictimservices</a>

Source: OCJS

In addition to grant information published by specific State and federal agencies, information regarding available grants and their eligibility requirements can be found in the following sources:

- **Local Government Resources-** is a research database within the State Auditors Office web site that contains links to a variety of grant resources, including *The Nonprofit Times*;
- **Federal Register-** contains all current grant solicitation notices issued by federal agencies;
- **Catalog of Federal Domestic Assistance-** a searchable database of federal grant programs; and
- **The Foundation Center-** a comprehensive source about grant writing and the funding process with internet links to private and corporate foundations.

According to *Grant Writing*, a publication of the OCJS, the applicant should follow set guidelines during the grant application process that will allow the grant process to be understood by the entity collectively, and the grant reviewer. The process should be designed to best fit the needs of the organization and may include, but is not limited to, the following:

- **Identify the organization's grant needs.** The Township should determine the existing needs or problems, and how the grant money can indirectly help meet the need or solve the dilemma.
- **Determine the program objectives.** These objectives should be tangible, specific, concrete, measurable, and achievable in a specific time period. The objectives define the measurable outcomes of the project.
- **Define the method(s) that will achieve the objectives.** The Township should determine the methods/programs and activities it wants to pursue. These action plans should explain the specific activities of the programs.
- **Determine a method to evaluate the outcomes of the proposed program(s).** Quantifiable measures of inputs, outcomes, and outputs allow management to assess program performance to facilitate effective management. In addition, they allow results to be communicated to all stakeholders.
- **Illustrate financial need for grant funding.** Detailed cost estimates and program budgets should be prepared to illustrate financial needs in contrast with LPD resources. These estimates and budgets should justify the financial need to all stakeholders involved.
- **Assess and monitor staff qualifications.** Illustrate to the stakeholders that allocated funds will be used to attract and retain qualified personnel.

Developing formal procedures for the grant seeking process should help improve the Township's effectiveness in researching grants and developing applications, which subsequently should improve the Township's chances of being awarded grant monies.

## Financial Implications Summary

The following table summarizes the estimated implementation costs and annual cost avoidance identified in recommendations presented in this section of the report.

### Summary of Financial Implications

<b>Recommendation</b>	<b>Estimated One-Time Implementation Cost</b>	<b>Estimated Annual Cost Avoidance</b>
<b>R4.2 Suspend purchase of new vehicles for two years</b>		\$20,000 (for 3 years)
<b>R4.4 Install fuel management system</b>	\$13,800	
<b>Total</b>	<b>\$13,800</b>	<b>\$20,000 (for 3 years)</b>



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# Financial Forecast

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## Background

This section of the performance audit assesses the Township's General and Police Funds. The objective is to analyze Lafayette Township's current and future financial condition through the development of a five-year forecast.

### *Accounting Structure*

For accounting purposes, a state or local government is not treated as a single entity. Rather, a government is viewed as a collection of smaller, separate accounting entries known as funds. Lafayette Township classifies and accounts for its revenues and expenditures within the following fund types in accordance with Governmental Accounting Standards Board (GASB) requirements:

- **General Fund:** Accounts for all financial resources except those required by law to be accounted for in another fund. In other words, all of a government's financial activities should be accounted for in the General Fund unless there is a compelling reason to report them in some other fund type. In short, the General Fund is the primary operating fund of a state or local government. Within Lafayette Township, the General Fund accounts for the revenue and expenditure activities associated with the Trustees and the Clerk.
- **Special Revenue Funds:** Accounts for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. For example, the Township receives separate property tax levies that can only be spent on police, fire and roads due to language restrictions on the ballot when the levies were originally passed.

### *Financial Forecasts*

**Tables 5-1** and **5-2** present the five-year financial forecasts developed for the General and Police Funds. The Township Trustees requested that forecasts be developed for these funds due to recent financial difficulties within the Police Fund and the subsequent need to transfer General Fund monies to eliminate deficits. Each forecast includes three years of historical data (2003 through 2005) and five years of projected data (2006 through 2010). Assumptions are provided for each forecast to explain significant variances and to clarify methodologies used in projecting certain revenues and expenditures. The assumptions disclosed herein were developed by AOS in conjunction with Township personnel. Furthermore, **Tables 5-1** and **5-2** include a separate row

(Cumulative AOS Recommendations) to capture the financial impact of the recommendations in the performance audit, and both tables show projected fund balances with and without the inclusion of the performance audit recommendations.

During the course of this performance audit, several account coding errors were identified by AOS and the Trustees, which may impact the reliability of the historical financial figures. In most cases, the account coding errors were resulted from the Township charging Police Fund expenditures to the General Fund due to the financial difficulties within the Police Fund. In response to these inconsistencies, AOS used five years of historical information to analyze trends and to identify any inconsistencies that could impact projections. The five-year trend analyses are shown in the detailed assumptions beginning on page 5-6. The projections in **Tables 5-1** and **5-2** reflect adjustments made by AOS to account for the impact of identified coding errors or inconsistencies on the Township's historical records. It is important to note that AOS did not audit every accounting transaction that occurred during the historical period and therefore, it is possible that some errors or inconsistencies still exist. However, because most of the coding errors occurred between the General and Police Funds, the two forecasts taken as a whole should negate any remaining inconsistencies and are deemed a materially reliable presentation of the Township's current and future financial condition.

To improve future financial planning efforts, the Township is encouraged to take action to correct past coding inconsistencies and begin developing financial forecasting documents similar in format to **Tables 5-1** and **5-2**. Addressing the cash management recommendations within the **financial systems** section of this performance audit should help the Township in this endeavor.

**Table 5-1** presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Lafayette Township's General Fund:

**Table 5-1: General Fund Forecast**

	Actual 2003	Actual 2004	Actual 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
<b>Revenues:</b>								
Local Taxes	\$40,205	\$42,288	\$50,131	\$50,400	\$52,920	\$62,446	\$65,568	\$68,846
Tangible Taxes	2,382	438	277	0	0	0	0	0
Local Government Funds	112,690	98,404	107,632	106,628	106,628	106,628	106,628	106,628
Fines & Fees	21,466	23,091	19,271	21,276	21,276	21,276	21,276	21,276
Interest	10,196	19,732	25,653	23,252	23,950	24,669	25,409	26,171
Estate Taxes	53,930	37,049	2,323	28,662	28,662	28,662	28,662	28,662
Other	9,160	7,625	6,640	12,808	12,808	7,808	7,808	7,808
<b>Total Revenues</b>	<b>\$250,028</b>	<b>\$228,627</b>	<b>\$211,927</b>	<b>\$243,026</b>	<b>\$246,244</b>	<b>\$251,489</b>	<b>\$255,351</b>	<b>\$259,391</b>
<b>Expenditures:</b>								
Salaries	\$53,057	\$70,475	\$64,326	\$51,420	\$52,963	\$54,551	\$56,188	\$57,874
Benefits	33,174	57,101	66,355	56,243	63,583	71,982	81,514	92,437
Purchased Services	56,390	70,598	96,162	117,753	72,140	64,644	67,271	70,030
Supplies & Materials	1,771	5,972	5,400	5,345	5,505	5,671	5,841	6,016
Capital Outlay	3,019	34,372	58,553	22,700	23,291	23,900	24,527	25,173
Debt Service	0	0	16,364	0	0	0	0	0
Other	1,507	1,017	5,393	5,555	5,722	5,893	6,070	6,252
Other Financial Uses	48	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$148,966</b>	<b>\$239,535</b>	<b>\$312,553</b>	<b>\$259,016</b>	<b>\$223,204</b>	<b>\$226,641</b>	<b>\$241,411</b>	<b>\$257,782</b>
Net Operating Results	101,063	(10,909)	(100,627)	(15,990)	23,040	24,848	13,940	1,609
<b>Beginning Balance</b>	<b>\$182,178</b>	<b>\$283,241</b>	<b>\$272,332</b>	<b>\$171,706</b>	<b>\$155,716</b>	<b>\$178,756</b>	<b>\$203,604</b>	<b>\$217,544</b>
<b>Ending Balance</b>	<b>\$283,241</b>	<b>\$272,332</b>	<b>\$171,706</b>	<b>\$155,716</b>	<b>\$178,756</b>	<b>\$203,604</b>	<b>\$217,544</b>	<b>\$219,153</b>
Cumulative AOS Recommendations	-	-	-	12,819	30,402	50,596	51,890	55,541
<b>Adjusted Ending Fund Balance</b>	<b>\$283,241</b>	<b>\$272,332</b>	<b>\$171,706</b>	<b>\$168,535</b>	<b>\$209,158</b>	<b>\$254,200</b>	<b>\$269,434</b>	<b>\$274,694</b>

Source: Lafayette Township financials 2003, 2004, 2005

Table 5-2 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Lafayette Township's Police Fund:

**Table 5-2: Police Fund Forecast**

	Actual 2003	Actual 2004	Actual 2005	Forecast 2006	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010
<b>Revenues:</b>								
Local Taxes	\$256,967	\$285,604	\$302,365	\$302,500	\$316,718	\$335,721	\$351,500	\$368,021
Tangible Taxes	15,795	4,045	2,407	0	0	0	0	0
Fines & Fees	378	465	4,048	364	364	364	364	364
Other	5,238	2,889	8,129	5,419	5,419	5,419	5,419	5,419
<b>Total Revenue</b>	<b>\$278,378</b>	<b>\$293,003</b>	<b>\$316,949</b>	<b>\$308,283</b>	<b>\$322,501</b>	<b>\$341,504</b>	<b>\$357,283</b>	<b>\$373,804</b>
<b>Expenditures:</b>								
Salaries	\$160,086	\$185,970	\$186,542	\$192,138	\$197,902	\$203,839	\$209,954	\$216,253
Benefits	64,568	101,101	110,582	94,618	103,756	114,034	125,157	137,770
Purchased Services	45,042	47,779	55,489	73,430	70,102	69,852	71,083	72,726
Supplies & Materials	5,306	6,229	6,968	7,182	7,397	7,614	7,843	8,078
Capital Outlay	1,544	22,748	8,441	3,955	3,955	3,955	3,955	3,955
Debt Service	15,907	7,953	0	0	0	0	0	0
Other	1,101	744	697	718	739	762	784	808
<b>Total Expenditures</b>	<b>\$293,553</b>	<b>\$372,525</b>	<b>\$368,720</b>	<b>\$372,041</b>	<b>\$383,851</b>	<b>\$400,056</b>	<b>\$418,776</b>	<b>\$439,590</b>
Transfers-In	0	40,000	0	0	0	0	0	0
Net Operating Results	(15,175)	(39,521)	(51,770)	(63,758)	(61,350)	(58,552)	(61,493)	(65,786)
<b>Beginning Balance</b>	<b>\$81,328</b>	<b>\$66,153</b>	<b>\$26,632</b>	<b>(\$25,139)</b>	<b>(\$88,897)</b>	<b>(\$150,247)</b>	<b>(\$208,799)</b>	<b>(\$270,292)</b>
<b>Ending Balance</b>	<b>\$66,153</b>	<b>\$26,632</b>	<b>(\$25,139)</b>	<b>(\$88,897)</b>	<b>(\$150,247)</b>	<b>(\$208,799)</b>	<b>(\$270,292)</b>	<b>(\$336,078)</b>
Cumulative AOS Recommendations	0	0	0	(2,466)	43,586	94,930	152,038	215,684
<b>Adjusted Ending Fund Balance</b>	<b>\$66,153</b>	<b>\$26,632</b>	<b>(\$25,139)</b>	<b>(\$91,363)</b>	<b>(\$106,661)</b>	<b>(\$113,869)</b>	<b>(\$118,254)</b>	<b>(\$120,394)</b>

Source: Lafayette Township financials 2003, 2004, 2005

### *Forecast Conclusions*

**Table 5-1** shows that the Township is projected to achieve positive ending fund balances within the General Fund throughout the forecast period without considering the performance audit recommendations. If the Township does not implement any of the performance audit recommendations, the surplus within the General Fund is estimated to be approximately \$219,000 in 2010. The surplus would increase to approximately \$275,000 in 2010 if the Township implemented all of the performance audit recommendations. In contrast, **Table 5-2** shows that the Township is projected to have operating deficits in the Police Fund each year during the forecast period, both with and without consideration of the performance audit recommendations. If the Township does not implement any of the performance audit recommendations, the deficit in the Police Fund is estimated to be approximately \$336,000 by 2010. The deficit would decline to approximately \$120,000 in 2010 if the Township implemented all of the performance audit recommendations.

Based on the projected deficits within the Police Fund, the Trustees should begin working to identify a long-term solution for restoring financial stability. In dealing with this issue, the Township has three basic options including the following:

- **Transfers** – **Tables 5-1** and **5-2** show that it will be possible for the Township to continue current operations for the short-term by regularly transferring monies from the General Fund to the Police Fund. However, this should be viewed as a temporary solution as the Police Fund’s operating deficits will likely exceed future surplus balances in the General Fund.
- **Cost Reductions** – The Township is encouraged to analyze its own operations to identify other cost savings and revenue enhancement options not identified in this performance audit. For example, the forecasts in **Tables 5-1** and **5-2** assume that the Township will grant three percent wage increases to all employees throughout the forecast period. If the Trustees granted lower wage increases, the savings generated would reduce the projected deficits within the Police Fund. However, even if wages were held constant at 2005 levels from 2006 to 2010, all of the performance audit recommendations were implemented, and no other changes are made to the forecast, deficits would still be projected in the Police Fund for each forecast year.
- **Tax Levy** – If additional cost reductions are not feasible and/or do not eliminate the projected deficits, it may be necessary to propose a new tax levy to ensure long-term stability. However, prior to taking this action, the Trustees should first demonstrate accountability to the citizens by implementing the recommendations in this performance audit. For example, the Township may not need a new tax levy if it realizes an increase in revenues higher than projected from the implementation of the performance audit recommendations relating to economic development. In addition, by implementing the

performance audit recommendations relating to cash management and internal controls, the Trustees will ensure that the Township is in a position to properly account for the tax revenues, if the citizens were to pass a new levy.

## Assumptions

In an effort to provide guidance to school district treasurers in preparing five-year financial forecasts, the Auditor of State's Office issued AOS Technical Bulletin 98-015 in December, 1998. Although this bulletin was originally designed for school districts, most of the forecasting procedures and methodologies represent sound practices that can be applied to common line-items when preparing a forecast for a city or township. As a result, this bulletin will be referenced throughout the forecast section of this performance audit.

### Revenues

#### *Local Property Taxes*

Local property taxes are a significant source of revenues for the Township, representing 24 and 95 percent of the total General Fund and Police Fund revenues in 2005, respectively. Property taxes are levied on a calendar year basis against the assessed value of real (residential/agricultural and commercial/industrial), and public utility property located within the boundaries of the Township. All real property is required to be reappraised every six years. To avoid large increases in property taxes every six years, a triennial update occurs three years after the reappraisal to update the market value of all real property. When preparing property tax revenue estimates, AOS Technical Bulletin 98-015 indicates that "property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming tax year from the county auditor."

**Table 5-3** provides an analysis of the Township's historical local tax collections for the General and Police Funds.

**Table 5-3: Historical Analysis of Local Taxes**

	2001	2002	2003	2004	2005	5 Yr. Avg
<b>General Fund:</b>						
Local Taxes	\$32,445	\$38,306	\$40,205	\$42,288	\$50,131	\$40,675
% Change	N/A	18.06%	4.96%	5.18%	18.55%	11.69%
<b>Police Fund:</b>						
Local Taxes	\$104,409	\$260,723	\$256,967	\$285,604	\$302,365	\$242,014
% Change	N/A	149.71%	-1.44%	11.14%	5.87%	41.32%

**Source:** Lafayette Township financials and UAN

The Township's local taxes consist of real estate taxes and revenues received from property tax allocations (Homestead and Rollback), which are reimbursements received from the State of Ohio for various real estate property tax credits granted to the citizens of Ohio. Although it is desirable to project real estate taxes and property tax allocation receipts separately, the Township had numerous coding errors between these line-items which made it difficult to determine an accurate historical trend. Therefore, the Township's real estate taxes and property tax allocation collections have been combined into one local tax collection figure for this analysis. This is a classification change that will have no impact on the Township's total local tax revenues.

Historically, collections from local taxes increased dramatically in the years following property reappraisals and triennial updates. This is due to property taxes being collected a year in arrears. More specifically, the 2002 and 2005 tax collections shown in **Table 5-3** represent amounts levied during the property reappraisal in 2001 and the property update in 2004. **Table 5-3** shows that the local taxes in the General Fund increased by an average of five percent during non-reappraisal years (2003 and 2004) and approximately 18 percent during the reappraisal and update years (2002 and 2005). The Township only levies 0.4 inside mills for the General Fund.

**Table 5-3** also shows that the local taxes in the Police Fund fluctuated significantly since 2001. The County Auditor's office indicated that in addition to the reappraisal, the large increase in the 2002 Police Fund tax collections was due to a new two mill police levy that was passed in 2001. The County Auditor's office also indicated that the decline in the 2003 tax collections was due to a coding error by the Township and that the local tax collections should have equaled approximately \$270,000. When the trend shown in **Table 5-3** is revised to reflect tax collections of \$270,000 in 2003, the average increase in non-reappraisal years was 4.7 percent. The average increase during the reappraisal and update years cannot be accurately determined since the new levy inflates the collections in 2002. However, the property update resulted in approximately six percent growth in 2005. The Township is currently collecting on two continuous operating levies in the Police Fund.

The Township recently worked with the Medina County Board of Commissioners and the University of Akron to create a Medina County University of Akron campus and technology park that is expected to be located within Lafayette Township and will be completed in September, 2007. Although the University of Akron portion of the project is tax exempt, the Township should realize a substantial increase in revenues from the technology park portion of the project. However, because of timing issues associated with locating businesses in the technology park, the Trustees indicated that the Township probably will not experience the increase in tax collections during the forecast period.

The assumptions for projecting local tax receipts include the following:

- The forecast assumes that the Township will continue to collect on all existing levies and no new levies will be passed during the forecast period.

- Based on the Trustees' estimation that the Township will not experience significant tax growth from the technology park during the forecast period, no additional revenues are projected as a result of this project.
- The 2006 local tax projections are based on the Medina County Budget Commission's certificate of estimate resources.
- Consistent with historical trends, the General Fund property taxes are projected to increase five percent in non-reappraisal years (2007, 2009, and 2010) and 18 percent in 2008 based on the scheduled property reappraisal.
- The Police Fund property taxes are projected to increase by 4.7 percent in non-reappraisal years (2007, 2009, and 2010) and six percent in 2008 based on the scheduled property reappraisal. It should be noted that although the growth rate in non-reappraisal years is consistent with historical trends, the projected growth rate in 2008 is a conservative estimate. This is due to the fact that the increase from the 2002 reappraisal cannot be accurately determined since the new levy inflates the collections. Therefore, this assumption excludes the appreciation rate realized in 2002 and projects six percent growth in 2008 based on the increase experienced during the 2005 property update.

The projections for the Township's local tax collections are as follows:

**Table 5-4: Projected Local Property Taxes**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Local Taxes	\$50,400	\$52,920	\$62,446	\$65,568	\$68,846
% Change	0.54%	5.00%	18.00%	5.00%	5.00%
<b>Police Fund:</b>					
Local Taxes	\$302,500	\$316,718	\$335,721	\$351,500	\$368,021
% Change	0.04%	4.70%	6.00%	4.70%	4.70%

Source: AOS projections

### ***Tangible Property Taxes***

Tangible property taxes represented less than one percent of the Township's General Fund and Police Fund revenues in 2005. Tangible property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machines, equipment, supplies and inventory used in conducting the business. Until the signing of House Bill 66 (HB 66) on June 30, 2005, ORC §5711.22 slowly phased out the tangible property tax by reducing the assessed valuation rates by one percent in tax years 2002 through 2004. The phase-out then increased to two percent annually beginning in tax year 2005 and was scheduled to continue at that rate until the tax was eliminated. However, HB 66 now accelerates the phase-out period. Under the new legislation, the tangible tax on general business and railroad property will be eliminated by TY 2009, and the

tax on telephone and telecommunication property will be eliminated by TY 2011. At the same time, the legislation (HB 66) replaces the revenue lost due to phasing out the tax. In the first five years, local governments are reimbursed fully for lost revenue; in the following seven years, the reimbursements are phased out.

**Table 5-5** provides an analysis of the Township's historical tangible property tax collections for the General and Police Funds:

**Table 5-5: Historical Analysis of Tangible Property Tax**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Tangible Property Tax	\$702	\$527	\$2,382	\$438	\$277	\$865
% Change	N/A	(24.90%)	351.52%	(81.63%)	(36.69%)	52.08%
<b>Police Fund:</b>						
Tangible Property Tax	\$3,579	\$4,897	\$15,795	\$4,045	\$2,407	\$6,145
% Change	N/A	36.84%	222.52%	(74.39%)	(40.49%)	36.12%

**Source:** Lafayette Township financials and UAN

With the exception of 2003 in the General Fund and 2002 and 2003 in the Police Fund, **Table 5-5** shows that the Township's tangible personal property taxes have steadily declined since 2001 due to the tax phase-out under ORC § 5711.22 (old legislation). The County Auditor indicated that the increase in the Police Fund in 2002 was the result of a new two mill levy that passed in 2001. The increases that occurred in the 2003 General and Police Fund collections were due to coding errors by the Township. The Medina County Auditor's Office indicated that the Township actually collected \$525 in General Fund tangible property taxes and \$4,889 within the Police Fund in 2003. Based on these figures, tangible property taxes declined each year since 2001 in both funds, with the exception of 2002 in the Police Fund. For instance, tangible property taxes decreased by approximately 17 and 40 percent in both funds in 2004 and 2005, respectively. These reductions occurred under the original legislation that reduced assessed valuation rates by one percent for TY 2003 and TY 2004 (impacting calendar year 2004 and 2005 collections, respectively). The reduction rate doubles to two percent for TY 2005.

Based on the significant decreases in 2004 and 2005, future increases in the reduction rate for assessed valuation, and tangible property taxes representing an immaterial source of revenues, this forecast shows the Township receiving no revenues from tangible property tax collections during the forecast period.

### **Local Government Funds**

The local government fund is Ohio's version of revenue sharing. The State of Ohio distributes 4.8 percent of the State's income tax, corporate franchise tax and State sales tax to the counties

for distribution to the local governments. Local government fund receipts are a significant source of revenue for the Township's General Fund, accounting for 51 percent of total General Fund revenues in 2005. The Township does not receive local government fund revenue in the Police Fund.

**Table 5-6** shows the Township's historical local government fund collections:

**Table 5-6: Historical Analysis of Local Government Funds**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Local Government Funds	\$121,068	\$99,925	\$112,690	\$98,404	\$107,632	\$107,944
% Change	N/A	(17.46%)	12.77%	(12.68%)	9.38%	(2.00%)

**Source:** Lafayette Township financials and UAN

Because of reductions in the State's income tax, corporate franchise tax and State sales tax collections (the main components in the State's funding formula), the Township's local government funding decreased significantly in 2002. In addition, because of Ohio's budget difficulties, legislation was passed at the State level (HB 95) that froze local government funding for all governments statewide during 2003, 2004 and 2005. As a result of the freeze, each recipient was supposed to receive an amount in 2004 and 2005 similar to that received in 2003.

**Table 5-6** shows that the Township's historical local government fund receipts fluctuated significantly and were not consistent with the legislation in place for 2003, 2004 and 2005. This is due to the Township's past coding practices. For instance, the Medina County Auditor's Office indicates that the Township's actual local government funding levels were \$106,933 in 2002, \$105,613 in 2003 and \$105,481 in 2004. These levels are consistent with the legislation in place during those time periods. According to the Ohio Department of Taxation, the current biennial budget (HB 66) originally proposed to reduce the level of local government funding. However, the State legislature ultimately decided to extend the freeze for another two years (FY 2006 and FY 2007).

The AOS assumptions used to project local government funds include the following:

- The 2006 local government funds are projected based on the Medina County Budget Commission's certificate of estimated resources. The 2007 receipts are projected to remain fixed at the 2006 levels based on the current legislation (HB 66).
- Due to the uncertainty surrounding the future of this revenue source, and in consideration of the large decline that occurred from 2001 to 2002, the local government fund revenues for 2008 through 2010 are projected to remain fixed at the 2006 level.

The projections for the Township's local government fund revenues are as follows:

**Table 5-7: Projected Local Government Fund Revenues**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Local Government Funds	\$106,628	\$106,628	\$106,628	\$106,628	\$106,628
% Change	(0.93%)	0.00%	0.00%	0.00%	0.00%

Source: AOS Projections

### ***Fines and Fees***

The Township's revenues from fines and fees consist of municipal court fees paid to the Township, police fines, rentals and leases, and other similar items. In 2005, fines and fees represented 9 and 1 percent of the total General and Police Fund revenues, respectively. **Table 5-8** provides an analysis of the Township's historical fines and fees collections for the General and Police Funds.

**Table 5-8: Historical Analysis of Fines and Fees**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Fines and Fees	\$10,114	\$ 9,391	\$21,466	\$23,091	\$19,271	\$16,667
% Change	N/A	(7.15%)	128.59%	7.57%	(16.54%)	28.12%
<b>Police Fund:</b>						
Fines and Fees	\$727	\$352	\$378	\$465	\$4,048	\$1,194
% Change	N/A	(51.65%)	7.54%	23.02%	770.54%	187.36%

Source: Lafayette Township financials and UAN

Historically, the Township has experienced large fluctuations in fines and fees revenues. The fluctuations in the General Fund are due to large swings in the Township's court fine collections. For instance, Lafayette Township collected \$18,180 in court fines in 2003, while the 2002 collections totaled only \$5,794. The Trustees indicated that the large fluctuations may be due to the Township's cooperative agreements with other municipalities for policing activities that occasionally yield higher municipal court fine collections. The decrease in 2005 is due to a decline in the Township's rental and lease fees. Fines and fees collections averaged \$21,276 during the last three years.

The fluctuations within the Police Fund are due to large swings in Police Department fee collections. For instance, the Department collected \$4,028 in fees in 2005, while the 2004 collections only amounted to \$465. The large increase in 2005 was due to a one-time common pleas court settlement for approximately \$3,800. From 2002 to 2004, the fines and fees collections within the Police Fund increased significantly each year. However, excluding the one-time common pleas court settlement, fines and fees collections (\$248) actually decreased in 2005.

The assumptions used to project fines and fees revenue include the following:

- Due to the large fluctuations within this line-item since 2001, the General Fund fines and fees collections are projected to remain fixed at \$21,276 during the forecast period, which is the average collection during the last three years. Likewise, the Police Fund fines and fees revenues are projected to remain fixed at \$364 during the forecast period, which is the average collection during the last three years after adjusting the 2005 collections to exclude the \$3,800 one-time court settlement.

The projections for the Township's fines and fees are as follows:

**Table 5-9: Projected Fines and Fees Revenues**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Fines and Fees	\$21,276	\$21,276	\$21,276	\$21,276	\$21,276
% Change	10.40%	0.00%	0.00%	0.00%	0.00%
<b>Police Fund:</b>					
Fines and Fees	\$364	\$364	\$364	\$364	\$364
% Change	(91.01%)	0.00%	0.00%	0.00%	0.00%

Source: AOS Projections

### **Interest**

The Township's interest receipts consist of monies earned through investments in certificates of deposit and other similar bank accounts. Interest receipts represented 12 percent of the total General Fund revenues in 2005. The Township does not allocate any of the interest receipts to the Police Fund. **Table 5-10** provides an analysis of the Township's historical interest receipts for the General Fund.

**Table 5-10: Historical Analysis of Interest Receipts**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Interest	\$26,870	\$11,972	\$10,196	\$19,732	\$25,653	\$18,885
% Change	N/A	(55.44%)	(14.84%)	93.53%	30.01%	13.31%

Source: Lafayette Township financials and UAN

Historically, the Township has experienced large fluctuations in interest receipts based on the cash balances available for investment and the interest rates offered at local banking institutions. In addition, the 2003 financial audit cited the Township for improperly recording interest receipts. Specifically, the financial audit noted that in 2002 and 2003, the Township erroneously recorded \$1,691 and \$946 of interest receipts in the General Fund instead of in the Motor Vehicle, Gasoline Tax, and Permissive Motor Vehicle License Tax Funds. Consequently, the Township's General Fund interest receipts are overstated by approximately eight percent in 2002

and 16.5 percent in 2003 (two-year average of 12 percent). The Trustees indicated that the new Clerk is beginning to correct this issue, and that the 2004 and 2005 interest receipts are probably overstated as well.

**Table 5-11** shows a revised interest receipt history after adjusting for the overstatements that occurred from 2002 through 2005. A 12 percent reduction was applied to the 2004 and 2005 interest receipts based on the average financial audit adjustment during 2002 and 2003.

**Table 5-11: Revised Historical Interest Receipts**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Interest	\$26,870	\$10,281	\$9,250	\$17,364	\$22,575	\$17,268
% Change	N/A	(61.74%)	(10.03%)	87.72%	30.01%	11.49%

**Source:** Financial Audit 2003 and AOS Projections

**Table 5-11** indicates that although the adjusted interest receipts fluctuated considerably, they increased significantly in 2004 and 2005. This resulted in an average annual increase of 11.5 percent. In addition, the Trustees indicated that the new Clerk is now investing more of the Township's idle cash than was invested in the past, which should yield additional interest receipts in the future. Furthermore, STAR Ohio reports that the weighted average yield of its investments increased from 1.19 percent in 2004 to 3.17 percent in 2005. STAR Ohio also reports that as of March 23, 2006, its annualized yield was 4.6 percent.

The assumptions for projecting interest revenue include the following:

- Interest receipts are projected to increase three percent annually from 2006 through 2010 to account for rising interest rates and the Clerk investing more funds.
- Based on prior financial audits, and to provide a conservative projection, a three percent growth rate is applied to the revised interest receipts for 2005 as shown in **Table 5-11**.

The projections for the Township's interest receipts are as follows:

**Table 5-12: Projected Interest Receipts**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Interest	\$23,252	\$23,950	\$24,669	\$25,409	\$26,171
% Change	(9.36%)	3.00%	3.00%	3.00%	3.00%

**Source:** AOS Projections

**Estate Tax**

Estate taxes are levied by the State of Ohio and remitted to the Township based on the value of a decedent's taxable estate. Estate taxes represented approximately 16 percent of total General Fund revenues in 2004. However, the 2005 estate tax receipts only amounted to approximately 1 percent. The Township does not allocate any of the estate tax receipts to the Police Fund. **Table 5-13** provides an analysis of the Township's historical estate tax collections for the General Fund.

**Table 5-13: Historical Analysis of Estate Tax**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Estate Tax	\$28,539	\$21,470	\$53,930	\$37,049	\$2,323	\$28,662
% Change	N/A	(24.77%)	151.19%	(31.30%)	(93.73%)	0.35%

Source: Lafayette Township financials and UAN

**Table 5-13** shows that estate taxes varied widely from year-to-year. Although the Township experienced large declines in estate tax collections in 2002, 2004 and 2005, these losses were partially offset by increases in 2001 and 2003. The historical fluctuations are due to the uncontrollable nature of this revenue source.

The following assumption was used to project estate tax revenue:

- The 2006 estate tax projection is based on the historical five-year average due to the volatile nature of this revenue source. The projections for 2007 through 2010 are held constant at the 2006 level in an effort to be conservative.

The projections for the Township's estate taxes are as follows:

**Table 5-14: Projected Estate Taxes**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Estate Tax	\$28,662	\$28,662	\$28,662	\$28,662	\$28,662
% Change	1,133.84%	0.00%	0.00%	0.00%	0.00%

Source: AOS Projections

**Other Revenues**

Other revenues are comprised of liquor and cigarette fees, other local taxes, and other miscellaneous revenues. Other revenues represented less than one percent of the total General Fund revenues in 2005 and approximately 2.5 percent of the total Police Fund revenues. **Table 5-15** provides an analysis of the Township's historical other revenues for the General and Police Funds.

**Table 5-15: Historical Analysis of Other Revenues**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Other	\$9,787	\$12,983	\$9,160	\$7,625	\$6,640	\$9,239
% Change	N/A	32.66%	(29.45%)	(16.75%)	(12.92%)	(6.62%)
<b>Police Fund:</b>						
Other	\$72,154	\$44,911	\$5,238	\$2,889	\$8,129	\$26,664
% Change	N/A	(37.76%)	(88.34%)	(44.84%)	181.35%	2.60%

Source: Lafayette Township financials and UAN

**Table 5-15** shows that the other revenues within the General Fund declined every year with the exception of 2002. The increase in 2002 can be attributed to a one-time workers' compensation rebate of \$9,661. The decreases in 2004 and 2005 can be attributed to a decline in liquor permit fees. For instance, Lafayette Township received approximately \$7,100 in liquor permit fees in 2004 while the 2005 collections totaled only \$4,751. The large other revenue receipts in the Police Fund in 2001 and 2002 are due to non-recurring grants. The decline in 2004 can be attributed to a decrease in the amount of rebates and refunds received by the police department. The subsequent increase in 2005 is due to an insurance settlement the Township received for a police car accident.

The assumptions used to project other revenues include the following:

- The 2006 General Fund and Police Fund projections are based on the historical three-year average (2003-2005) due to the one-time receipts that occurred within the General (workers' compensation rebate) and Police Funds (various grants) in 2001 and 2002.
- The 2006 and 2007 other revenue projections for the General Fund will include one-time grant receipts of \$5,000 to be used in developing the Township's comprehensive plan (See purchased services analysis for more details).
- Given the large fluctuations with the other revenue line-item, the projections for 2007 through 2010 are held constant at the 2006 level.

The projections for the Township's other revenues are as follows:

**Table 5-16: Projected Other Revenues**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Other	\$12,808	\$12,808	\$7,808	\$7,808	\$7,808
% Change	92.89%	0.00%	(39.04%)	0.00%	0.00%
<b>Police Fund:</b>					
Other	\$5,419	\$5,419	\$5,419	\$5,419	\$5,419
% Change	(33.34%)	0.00%	0.00%	0.00%	0.00%

Source: AOS Projections

**Expenditures*****Salaries and Wages***

Salaries and wages represented the second largest expenditure within the General Fund in 2003 and 2004 and the third largest in 2005, accounting for approximately 21 percent of the total expenditures in 2005. The Township accounts for the salaries of the three Trustees and the Clerk within the General Fund. ORC § 505.24 and ORC § 507.09 establish the annual compensation levels for township trustees and the clerk position based on the size of a township's total operating budget. For example, trustees that oversee a budget ranging from \$50,000 to \$100,000 earn \$24.00 per day up to a maximum of 200 days, according to ORC § 505.24. This legislation also indicates that township trustees are entitled to an annual salary increase of three percent through calendar year 2009, while the clerk is entitled to the lesser of a three percent cost of living adjustment or the percentage increase, if any, in the consumer price index through 2009.

Salaries and wages represented the largest expenditure within the Police Fund, accounting for approximately 51 percent of the total expenditures in 2005. The Township accounted for the salaries of four full-time and two-part time police officers within the Police Fund during 2005. **Table 5-17** shows the Township's historical expenditures for employee wages in the General and Police Funds.

**Table 5-17: Historical Analysis of Salaries and Wages**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Salaries	\$97,725	\$67,229	\$53,057	\$70,475	\$64,326	\$70,562
% Change	N/A	(31.21%)	(21.08%)	32.83%	(8.72%)	(7.05%)
<b>Police Fund:</b>						
Salaries	\$121,323	\$144,656	\$160,086	\$185,970	\$186,542	\$159,715
% Change	N/A	19.23%	10.67%	16.17%	0.31%	11.59%

**Source:** Lafayette Township financials and UAN

**Table 5-17** shows that the Township experienced large fluctuations in the General Fund salaries line-item since 2001. According to the Trustees, the large fluctuations are the result of coding errors in which General Fund monies were used to cover line-item shortfalls in other funds. For instance, in 2004, some police officers and zoning employees were paid out of the General Fund rather than the Police and Zoning Funds. The Trustees also indicated that the subsequent decrease in 2005 is due to the Township taking action to correct past coding practices. The recent fluctuations can also be attributed to changes in staffing levels. For example, prior to 2005, the Township had several part-time clerical employees that were approved by the Trustees to work up to 15 hours per week to assist the Clerk in carrying out her duties. However, all of the clerical employees resigned during 2005 and were not replaced.

**Table 5-17** shows that the Township’s Police Fund salary expenditures increased dramatically each year from 2001 through 2004. According to the Trustees, the large fluctuations are due to the Township increasing Police Department staffing levels in 2002 and 2004. In addition, the Trustees attributed the large fluctuations to coding errors that occurred in the past. Furthermore, **Table 4-6** in the **police operations** section of this performance audit shows that the Township maintained high overtime costs in the Police Department in 2004 and 2005. However, the Township considerably decreased its police overtime costs from 2004 to 2005. The reduction in overtime, coupled with the Township not granting cost of living adjustments for Police Department employees, contributed to wages remaining relatively constant for 2005. The Township’s annual wage increases amounted to approximately three percent from 2001 to 2004. In addition, the 2005 police salary figure includes all salary expenditures for Police Department employees.

The assumptions for projecting salaries for the General Fund and the Police Fund include the following:

- The salaries and wages are projected to increase three percent annually in the General Fund from 2006 through 2010 based on the legislation (ORC § 505.24 and ORC § 507.09) addressing trustee and clerk salaries. The forecast further assumes that the Township will only account for the three Trustees and Clerk within the General Fund and no new employees will be hired during the forecast period. The costs for hiring an additional clerical employee are captured in the “Cumulative AOS Recommendations” line-item of the forecast (see **R3.4 in human resources**).
- The salaries within the Police Fund are projected to increase three percent annually from 2006 through 2010 based on past wage increases. AOS assumes that the Township will continue to operate with four full-time and two part-time officers during the forecast period. Based on the actions taken by the Police Department to control overtime (see **police operations** section), the forecast also assumes that the Township will not allow police overtime costs to exceed the 2005 levels (approximately \$8,200 annually).

The projections for the Township’s salary and wages are as follows:

**Table 5-18: Projected Salaries and Wages**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Salaries	\$51,420	\$52,963	\$54,551	\$56,188	\$57,874
% Change	(20.06%)	3.00%	3.00%	3.00%	3.00%
<b>Police Fund:</b>					
Salaries	\$192,138	\$197,902	\$203,839	\$209,954	\$216,253
% Change	3.00%	3.00%	3.00%	3.00%	3.00%

Source: AOS Projections

**Employee Benefits**

In 2005, employee benefits represented 21 and 30 percent of the total General Fund and Police Fund expenditures, respectively. The Township's employee benefits are comprised of retirement, health insurance, dental coverage, workers' compensation and various other miscellaneous items. **Table 5-19** shows the Township's historical expenditures for employee benefits for the General and Police Funds.

**Table 5-19: Historical Analysis of Employee Benefits**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Benefits	\$38,938	\$26,384	\$33,174	\$57,101	\$66,355	\$44,390
% Change	N/A	(32.24%)	25.73%	72.13%	16.21%	20.46%
<b>Police Fund:</b>						
Benefits	\$49,093	\$57,883	\$64,568	\$101,101	\$110,582	\$76,645
% Change	N/A	17.90%	11.55%	56.58%	9.38%	23.85%

Source: Lafayette Township financials and UAN

**Table 5-19** shows that the Township experienced large fluctuations in the employee benefits line-item since 2001. Within the General Fund, the Trustees attributed the large increases from 2003 through 2005 to coding errors in which non-General Fund employee expenses were recorded in the General Fund. The large fluctuations are also due to the Township's inconsistent payment history for health insurance purposes (See **R3.1** in **human resources**). For example, the Township made 30 health insurance payments totaling \$52,392 in 2005, while it made 20 payments totaling \$45,103 in 2004.

The decrease in General Fund benefit costs that occurred in 2002 is attributed to a large workers' compensation payment (\$16,405) the Township incurred in 2001. However, the **human resources** section of this performance audit shows that the Township has effectively taken action to reduce the cost of workers' compensation insurance since 2002. As of July 1, 2004 (the most recent year available), the Township's workers compensation rate was 3.5 percent.

The Trustees attributed the large increase in Police Fund benefit costs in 2002 and 2004 to hiring new police officers. The Trustees also indicated that the annual changes in workers compensation payments, coding errors, and the Township's inconsistent health insurance payment history also contributed to the fluctuations shown in **Table 5-19**. For example, the Township made 18 health insurance payments totaling \$40,114 in 2004, compared to 30 payments totaling \$59,173 in 2005. In addition to increasing salaries, the Police Department's high overtime costs contributed to the increases in benefit costs in 2004 and 2005 because they impact retirement and workers compensation costs.

According to the Trustees, the Township was not paying its past health care insurance invoices in a timely manner, potentially resulting in penalties and contributing to the Township's

inconsistent payment history. In particular, the Trustees noted that the Township was penalized in 2005 for not paying the full premiums in past years. Based on the premiums in effect for 2005, the Township's annual health insurance expenses were approximately \$46,400 and \$47,200 in the General and Police Funds, respectively. When compared to these premium expenses, the Township's actual payments for health care in 2005 were 13 and 25 percent higher in the General (\$52,392) and Police (\$59,173) Funds, respectively.

Employers are required to make contributions to the retirement system on the basis of a percentage of earnable salary. Penalties and interest are added for late payments. In an effort to seek additional health care funding, Ohio PERS will be increasing employer contribution rates. These rate increases will be phased in over three years beginning in January 2006. Employer rates will be raised from 13.55 percent to the maximum 14 percent over the three-year period. For law enforcement personnel, the employer contribution rates will increase to 16.93 percent in 2006, 17.17 percent in 2007, and 17.40 percent in 2008.

Lafayette Township contracts with Anthem Blue Cross for health and life insurance, and Delta Dental for dental insurance for full-time employees. The monthly premiums are determined based on the age, gender, and family status of the insured staff. **Table 5-20** presents the actual monthly premiums for employees in the General and Police Funds.

**Table 5-20: 2006 Monthly Premiums**

	Health Premium	Life Premium	Dental Premium	Total Premium <sup>1</sup>
<b>General Fund:</b>				
Employee 1	\$752.16	\$9.00	\$58.85	\$820.01
Employee 2	\$1,189.24	\$19.95	\$58.85	\$1,268.04
Employee 3	\$1,695.04	\$29.10	\$58.85	\$1,782.99
<b>Total Annual Cost</b>	<b>\$43,637.28</b>	<b>\$696.60</b>	<b>\$2,118.60</b>	<b>\$46,452.48</b>
<b>Police Fund:</b>				
Employee 1	\$895.71	\$3.45	\$58.85	\$958.01
Employee 2	\$895.71	\$3.45	\$58.85	\$958.01
Employee 3	\$1,155.17	\$12.60	\$58.85	\$1,226.62
Employee 4	\$839.80	\$3.15	\$58.85	\$901.80
<b>Total Annual Cost</b>	<b>\$45,436.68</b>	<b>\$271.80</b>	<b>\$2,824.80</b>	<b>\$48,533.28</b>

Source: Lafayette Township

<sup>1</sup> Total amount is based on 12 monthly payments.

The State Employment Relations Board (SERB) reports on the annual cost of health insurance in the public sector. In its 2004 survey, SERB reports that medical premiums increased by a weighted average of approximately 15 percent for both single and family coverage.

The assumptions for projecting benefits for the General and Police Funds include the following:

- The 2006 health care premiums for the General and the Police Funds are based on the monthly premium costs per employee provided by Anthem Blue Cross. The 2007 through

2010 General and Police Fund premiums are projected to increase 15 percent annually based on the SERB report. See **R3.1** and **R3.2** in the **human resources** section for strategies to reduce health care costs.

- Retirement and workers' compensation costs for the General and Police Funds are projected as a percentage of salaries and wages. Retirement percentages are based on the rates established by Ohio PERS, while the workers' compensation percentage is based on the 3.5 percent rate the Township achieved in 2004. Lafayette's recent implementation of the drug-free workplace and transitional work programs should allow the Township to continue maintaining low workers' compensation rates in the future.
- The 2006 General and Police Fund miscellaneous benefit items are based on the historical five-year average due to the unpredictable nature of this line-item (approximately \$900 in the General Fund and \$6,800 in the Police Fund). The 2007 through 2010 miscellaneous items are projected to increase by three percent to account for other unexpected expenditures that may arise during the forecast period.

The projections for the Township's fringe benefits are as follows:

**Table 5-21: Projected Employee Benefits**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Benefits	\$56,243	\$63,583	\$71,982	\$81,514	\$92,437
% Change	(15.24%)	13.05%	13.21%	13.24%	13.40%
<b>Police Fund:</b>					
Benefits	\$94,618	\$103,756	\$114,034	\$125,157	\$137,770
% Change	(14.44%)	9.66%	9.91%	9.75%	10.08%

Source: AOS Projections

### ***Purchased Services***

In 2005, purchased services represented 31 and 15 percent of total expenditures in the General Fund and Police Fund, respectively. The Township's purchased services consist of utilities, property and auto insurance, dispatching contracts, and various other costs. Auditor of State bulletin 98-015 states that "purchased services should be projected based upon historical increases. Absent of any changes, an inflationary assumption is sufficient to project this line-item."

**Table 5-22** shows the Township's historical purchased service expenditures for the General and Police Funds.

**Table 5-22: Purchased Services Historical Detail**

	2001	2002	2003	2004	2005
<b>General Fund</b>					
Utilities	15,303	12,776	15,438	14,691	24,137
Telephone	5,206	795	679	792	1,063
Insurance	5,633	4,703	1,384	3,416	4,000
Cameras	-	-	-	23,086	-
Medina County Sheriff (Dispatching)	-	40,327	20,555	-	20,854
Other	30,861	17,987	18,333	28,614	46,108
<b>Total</b>	<b>\$57,003</b>	<b>\$76,589</b>	<b>\$56,390</b>	<b>\$70,598</b>	<b>\$96,162</b>
% Change	N/A	34.36%	(26.37%)	25.20%	36.21%
<b>Police Fund</b>					
Utilities	-	2,737	2,910	2,741	3,777
Telephone	-	4,527	7,750	8,771	8,891
Insurance	5,564	7,085	5,634	7,230	8,552
Auto	1,762	5,904	11,660	9,880	9,633
Leases	-	-	4,273	4,218	11,443
Other	12,518	4,196	12,815	14,939	13,194
<b>Total</b>	<b>\$19,845</b>	<b>\$24,448</b>	<b>\$45,042</b>	<b>\$47,779</b>	<b>\$55,489</b>
% Change	N/A	23.20%	84.24%	6.08%	16.14%

Source: Lafayette Township financials and UAN

**Table 5-22** shows that purchased services increased by an average annual rate of approximately 17 percent in the General Fund with large increases in 2002, 2004 and 2005. **Table 5-22** also shows that purchased services increased by an average annual rate of approximately 32 percent in the Police Fund. Explanations for the significant increases include the following:

- Utilities** – The Township’s utility costs increased significantly in 2005 in the General and Police Funds. The Trustees indicated this was due to the Township entering into a lease agreement to use an old elementary school building to remedy space issues within the Township. In addition, Dominion East Ohio indicates that the price of natural gas was approximately 35 percent higher in 2005 due to the hurricanes that hit the Gulf of Mexico. Although utility expenditures increased significantly in 2005 in both funds and the Township experienced large historical fluctuations particularly in the General Fund, the average annual increase in both funds was close to zero from 2001 to 2004 (2002 – 2004 in the Police Fund).
- Telephone** – The General Fund telephone costs increased 34 percent in 2005 due to the installation of a new phone line in the leased elementary school building.

- **Insurance** – This line-item represents the costs of the Township’s auto and property insurance. The large increases in the Police Fund insurance expenditures for 2004 and 2005 can be attributed to purchasing one new vehicle in 2004 and two new vehicles in 2005.
- **Auto** – This line-item represents the cost to maintain the police vehicles. The fluctuations are due to a combination of the number of vehicles operated by the Police Department and their associated maintenance needs.
- **Cameras** – The Township purchased four digital cameras for the Police Department from the General Fund in 2004. This was a one-time purchase.
- **Dispatching** – The Township contracts with the Medina County Sheriff’s Office for dispatching services. The large fluctuations in this line-item are due to the Township not properly allocating the dispatch costs to the appropriate funds. For example, varying portions of the Police Department’s share of the dispatch costs were charged to the General Fund in 2002, 2003 and 2005, due to the financial condition of the Police Fund. The Township charged the Police Department’s portion of the 2004 dispatch costs to the Police Fund capital outlay line-item. The Trustees indicated that the Township will begin properly allocating the cost of the dispatching contract to the Police and Fire Funds in the future. In addition, the cost of the dispatching contract has been consistent from year-to-year.
- **Leases** – The lease costs within the Police Fund are due to the acquisition of four mobile data terminals (MDT) in 2003 through lease-purchase agreements. The Police Department also acquired another MDT through a lease-purchase agreement in 2004. The Township is currently paying on three separate lease agreements for the MDTs. Two of the leases are 36 month agreements, with monthly payments of \$439 and \$178, respectively. The third lease is a 25 month agreement with a monthly payment of \$221. Two of the leases will be completed in 2006, with one scheduled to end in May and the other in October. The other lease is not scheduled to be completed until February 2008.
- **Other** – This line-item primarily represents the costs of various projects the Township completed over the last five years. The large fluctuations are a result of the number and types of projects the Township chose to complete each year. Additionally, payments to the County Treasurer totaling \$22,045 contribute to the large increase in the General Fund for 2005. According to Lafayette, these payments were for delinquent taxes owed to the County for the Township’s gazebo.

The Township is currently in the process of developing a comprehensive economic development plan at an estimated cost of approximately \$40,000. The Township is scheduled to receive grants of \$5,000 in 2006 and \$5,000 in 2007 to help cover the costs of developing the comprehensive

plan. The Trustees estimate that the comprehensive plan development process will start in 2006 and will be completed in 2007. Lastly, the Township contracted with the Auditor of State's office for this performance audit at a cost of \$28,000.

The assumptions for projecting purchased services include the following:

- The 2006 General Fund purchased services will include \$30,000 to cover the cost of the comprehensive plan, based on nine months of the project being completed in 2006. The remaining \$10,000 will be included in the 2007 General Fund projection. The grant proceeds associated with the comprehensive plan are included in the other revenues line-item.
- The utility projections for the General and Police Funds are estimated to increase six percent annually, double the rate of inflation due to the inherent volatility associated with utility expenses. As the lease agreement for the elementary school building and hurricanes contributed to the increases in 2005, AOS assumes that utilities will not increase at the accelerated rates associated with 2005. Furthermore, the Township could reduce its utility costs by joining a consortium (See **R2.12** in **financial systems**).
- Telephone and insurance expenditures for the General and Police Funds are projected to increase by three percent annually to account for inflation, based on 2005 expenditures.
- The 2006 other expenditures for the General Fund are based on the 2004 and 2005 average (excluding \$22,045 in one-time delinquent expenditures in 2005), due to the larger fluctuations from 2001 to 2003. Thereafter, they are appreciated at 3 percent annually to account for inflation. In addition, the 2006 other expenditures line-item will include a one-time payment of \$28,000 to cover the cost of the performance audit. From 2006 to 2010, other expenditures also include \$5,793 in fees, based on the five-year average. The 2006 other expenditures for the Police Fund are based on the average expenditures from 2003 to 2005, as they appear relatively consistent. Thereafter, the projections in the Police Fund are increased three percent annually to account for inflation.
- The 2006 auto expenditures are based on the 2004 and 2005 average due to the purchase of new vehicles in these two years and large historical fluctuations. The projections for 2007 through 2010 assume that auto expenditures will increase three percent annually to account for inflation.
- The lease agreement expenditures are based on the payment schedule outlined in the Township's lease agreement.

- The payments made to the Medina County Sheriff for dispatching services will be allocated based on the percentage of total calls dispatched for each department. Because requests for police services represented 73 percent of the total dispatching calls in 2005, the Police Department will account for \$21,107, or 73 percent, of the total dispatching costs throughout the remainder of the forecast. This is based on the 2005 total dispatching costs, and assumes that the dispatching costs will remain constant based on historical trends in prior financial data and because the Trustees indicated that dispatching costs have historically been relatively stable.

The projections for the Township's purchased services are as follows:

**Table 5-23: Projected Purchased Services in Detail**

	2006	2007	2008	2009	2010
<b>General Fund - Purchased Services</b>					
Utilities	25,585	27,120	28,748	30,472	32,301
Telephone	1,095	1,128	1,162	1,196	1,232
Insurance	4,120	4,244	4,371	4,502	4,637
Cameras	-	-	-	-	-
Medina County Sheriff (Dispatching)	-	-	-	-	-
Comprehensive Plan	30,000	10,000	-	-	-
Other	56,953	29,648	30,363	31,101	31,860
<b>Total</b>	<b>\$117,753</b>	<b>\$72,140</b>	<b>\$64,644</b>	<b>\$67,271</b>	<b>\$70,030</b>
<b>Police Fund - Purchased Services</b>					
Utilities	4,004	4,244	4,498	4,768	5,054
Telephone	9,158	9,432	9,715	10,007	10,307
Insurance	8,809	9,073	9,345	9,625	9,914
Auto	9,757	10,050	10,351	10,661	10,982
Leases	6,946	2,138	356	-	-
Other	13,649	14,058	14,480	14,915	15,362
Dispatching Fees	21,107	21,107	21,107	21,107	21,107
<b>Total</b>	<b>\$73,430</b>	<b>\$70,102</b>	<b>\$69,852</b>	<b>\$71,083</b>	<b>\$72,726</b>

Source: AOS Projections

### ***Supplies and Materials***

Supplies and materials represented less than two percent of the Township's General Fund and Police Fund expenditures in 2005. The Township's supplies and material purchases consist of office and building supplies, police supplies, and radio parts. AOS technical bulletin 98-015 states that anticipated expenditures for supplies and materials are usually based on historical patterns.

**Table 5-24** shows the Township's historical expenditures for supplies and materials for the General and Police Funds.

**Table 5-24: Historical Analysis of Supplies and Materials**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Supplies and Materials	\$6,040	\$7,543	\$1,771	\$5,972	\$5,400	\$5,345
% Change	N/A	24.88%	(76.53%)	237.32%	(9.58%)	44.03%
<b>Police Fund:</b>						
Supplies and Materials	\$13,827	\$3,582	\$5,306	\$6,229	\$6,968	\$7,182
% Change	N/A	(74.09%)	48.12%	17.41%	11.86%	0.82%

**Source:** Lafayette Township financials and UAN

**Table 5-24** shows that the Township has experienced large fluctuations in supplies and materials in the General and Police Funds since 2001. According to the Trustees, the Township did not make any major supply and material purchases from the General Fund during the last five years. The Trustees indicated that past fluctuations in the General Fund are probably the result of improper coding practices.

The large supply and material expenditures within the Police Fund in 2001 are due to the Township purchasing new uniforms and charging all motor fuel costs to the supplies and materials line-item. In 2002, the Township began charging motor fuel costs to the purchased services line-item. The increases that occurred in 2004 and 2005 were due to the Township re-tiling the police department floor, and an increase in radio repair costs.

The assumptions used to project supplies and materials expenditures for the General and Police Funds include the following:

- The 2006 supplies and materials projections for the General and Police Funds are based on the historical five-year averages due to the large fluctuations since 2001.
- Supplies and materials are projected to increase three percent annually from 2007 through 2010 to account for inflation.

The projections for the Township's supplies and materials costs are as follows:

**Table 5-25: Projected Supplies and Materials Expenditures**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Supplies and Materials	\$5,345	\$5,505	\$5,671	\$5,841	\$6,016
% Change	(1.03%)	3.00%	3.00%	3.00%	3.00%
<b>Police Fund:</b>					
Supplies and Materials	\$7,182	\$7,397	\$7,614	\$7,843	\$8,078
% Change	3.07%	3.00%	3.00%	3.00%	3.00%

Source: AOS Projections

### Capital Outlay

In 2005, capital outlay expenditures represented 19 and 2.3 percent of the Township's General Fund and Police Fund expenditures, respectively. Historically, the Township has used the capital outlay line-item to account for the cost of acquiring new assets such as vehicles, computers and other equipment. AOS Technical Bulletin 98-015 states that "capital outlay expenditures should be based on historical patterns. Variations from historical patterns should be identified and explained." **Table 5-26** shows the Township's historical capital outlay expenditures for the General and Police Funds.

**Table 5-26: Historical Analysis of Capital Outlay Expenditures**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Capital Outlay	\$432	\$38,130	\$3,019	\$34,372	\$58,553	\$26,902
% Change	N/A	8,720.55%	(92.08%)	1,038.52%	70.35%	2,434.34%
<b>Police Fund:</b>						
Capital Outlay	\$1,459	\$701	\$1,544	\$22,748	\$8,441	\$6,979
% Change	N/A	(51.99%)	120.39%	1,372.91%	(62.89%)	344.61%

Source: Lafayette Township financials and UAN

**Table 5-26** shows that the Township experienced large fluctuations within the capital outlay line-item in both the General and Police Funds. The large increases in capital outlay spending that occurred in the General Fund in 2002, 2004, and 2005 are due to the Township purchasing new vehicles for the police department. The Trustees indicated that the police vehicles were purchased from the General Fund due to the lack of funds in the Police Fund. The decrease in 2003 occurred because the Township did not purchase any vehicles. According to the Lafayette Police Department (LPD), the Township tries to purchase a new vehicle every year through the state bid process. LPD also indicated that a new vehicle typically costs approximately \$19,700. In addition, the Township purchased digital cameras in 2004 and some communication services in 2005 that also contributed to the large increases in capital outlay from the General Fund.

The high 2004 Police Fund capital outlay expenditures are due to the Township purchasing a new radio set and inappropriately charging the dispatch contract to the capital outlay line-item instead of purchased services. The Police Fund capital outlay expenditures have averaged \$3,955 during the last five years when excluding the cost of the radio set and the dispatching contract the Township incurred in 2004 (\$15,119). Furthermore, with the exception of police vehicles, the Trustees indicated that no major capital outlay expenditures are anticipated during the forecast period.

The assumptions for projecting capital outlay expenditures within the General and Police Fund are as follows:

- The General Fund capital outlay expenditures for 2006 through 2010 will include the purchase of one police vehicle each year at a cost of \$19,700 in 2006, and increased three percent annually thereafter to account for inflation. The cost savings associated with not purchasing any additional police vehicles for the next three years are captured in the “Cumulative AOS Recommendations” line-item of the forecast (see **R4.2 in police operations**).
- The General Fund projections for 2006 through 2010 will include an additional \$3,000 to account for normal capital outlay expenditures that may arise during the forecast period.
- The cost of dispatch services will no longer be charged to the Police Fund capital outlay line-item. Future dispatch costs are allocated in this forecast based on the 2005 dispatched calls for service and will be charged to the Police Fund purchased services line-item.
- Due to the large fluctuations within this line-item since 2001 and the anticipation of no major capital outlay expenditures occurring during the forecast period, the Police Fund capital outlay expenditures are projected to remain fixed at \$3,955, which is the average expenditure during the last five years (excluding \$15,199 in one-time expenditures).

The projections for the Township’s capital outlay expenditures are as follows:

**Table 5-27: Projected Capital Outlay Expenditures**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Capital Outlay	\$22,700	\$23,291	\$23,900	\$24,527	\$25,173
% Change	(61.23%)	2.60%	2.61%	2.62%	2.63%
<b>Police Fund:</b>					
Capital Outlay	\$3,955	\$3,955	\$3,955	\$3,955	\$3,955
% Change	(53.15%)	0.00%	0.00%	0.00%	0.00%

Source: AOS Projections

**Debt Service**

Debt service expenditures represented approximately five percent of the Township's 2005 General Fund expenditures. Although the Police Fund did not incur debt service expenditures in 2005, they represented approximately two percent of the 2004 Police Fund expenditures. The Township borrowed funds in 2001 to construct a new police building. The Trustees indicated that the loan was scheduled to be paid off in 2004; however, the prior Clerk did not make the full payment in 2004 due to the lack of funds in the Police Fund. As a result, the Township had to make one more payment on the loan in 2005. The final loan payment was made from the General Fund due to the financial difficulties within the Police Fund. The Trustees also noted that the 2005 loan payment was inflated by \$8,411 due to late fees the Township incurred dating back to 1999. **Table 5-28** shows the Township's historical debt service expenditures from the General and Police Funds.

**Table 5-28: Historical Analysis of Debt Obligations**

	2001	2002	2003	2004	2005
<b>General Fund:</b>					
Debt Service	-	-	-	-	\$16,364
% Change	N/A	N/A	N/A	N/A	100.00%
<b>Police Fund:</b>					
Debt Service	\$15,907	\$15,907	\$15,907	\$7,953	-
% Change	N/A	0.00%	0.00%	(50.00%)	(100.00%)

**Source:** Lafayette Township financials and UAN

Due to the financial condition of the Township, the Trustees are not anticipating issuing any new debt within the General or Police Funds. Therefore, this forecast projects the Township not incurring any additional debt obligations.

**Other Expenditures**

Auditor of State Technical Bulletin 98-015 states that anticipated other expenditures are usually based on historical patterns.

In 2005, other expenditures represented less than two percent of the Township's total General and Police Fund expenditures, respectively, and consisted of various miscellaneous items, such as bank fees, storage fees, and county fees. **Table 5-29** shows the Township's historical other expenditures for the General and Police Funds.

**Table 5-29: Historical Analysis of Other Expenditures**

	2001	2002	2003	2004	2005	5 Yr. Avg.
<b>General Fund:</b>						
Other Expenditures	\$5,964	\$5,822	\$1,507	\$1,017	\$5,393	\$3,941
% Change	N/A	(2.39%)	(74.12%)	(32.53%)	430.47%	80.36%
<b>Police Fund:</b>						
Other Expenditures	-	-	\$1,101	\$744	\$697	\$508
% Change	N/A	N/A	N/A	(32.43%)	(6.29%)	N/A

Source: Lafayette Township financials and UAN

Table 5-29 shows that the Township has experienced large fluctuations in the other expenditure line-item since 2001. Furthermore, the Trustees were not able to explain these variances. However, other expenditures represent less than two percent of the Township's total 2005 expenditures and are immaterial to the overall forecast. Therefore, other expenditures for the General and Police Funds are projected to increase three percent annually to account for inflation.

The projections for the Township's other expenditures are as follows:

**Table 5-30: Projected Other Expenditures**

	2006	2007	2008	2009	2010
<b>General Fund:</b>					
Other Expenditures	\$5,555	\$5,722	\$5,893	\$6,070	\$6,252
% Change	3.00%	3.00%	3.00%	3.00%	3.00%
<b>Police Fund:</b>					
Other Expenditures	\$718	\$739	\$762	\$784	\$808
% Change	3.00%	3.00%	3.00%	3.00%	3.00%

Source: AOS Projections

### ***Performance Audit Recommendations***

Tables 5-31 and 5-32 show the savings and costs associated with the recommendations identified throughout this performance audit for each forecast year, as they apply to the General and Police Funds. The ideas and recommendations included in this report should be considered for implementation by the Township. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into future financial forecasts.

**Table 5-31: Performance Audit Recommendations (General Fund)**

Recommendation	2006	2007	2008	2009	2010
<b>Recommendations:</b>					
<b>R2.11</b> Implement purchasing procedures to eliminate late fees	\$1,400	\$1,442	\$1,485	\$1,530	\$1,576
<b>R2.12</b> Join purchasing consortium	(\$110)	(\$113)	(\$117)	(\$120)	(\$124)
<b>R2.12</b> Savings from consortium	\$135	\$278	\$286	\$295	\$304
<b>R2.16</b> Obtain membership in Medina County Chamber of Commerce	(\$136)	(\$140)	(\$144)	(\$149)	(\$153)
<b>R2.18</b> Implement economic development initiatives		\$2,520	\$2,974	\$3,122	\$3,278
<b>R3.1</b> Reduce health care costs		\$9,315	\$10,712	\$12,319	\$14,167
<b>R3.2</b> Require employee health care contributions	\$2,130	\$4,899	\$5,634	\$6,479	\$7,451
<b>R3.3</b> Obtain prompt pay discount for workers' compensation		\$309	\$318	\$328	\$338
<b>R3.4</b> Hire part time clerical employee	(\$10,300)	(\$21,218)	(\$21,855)	(\$22,510)	(\$23,185)
<b>R4.2</b> Suspend purchasing vehicles for 3 years	\$19,700	\$20,291	\$20,900	\$0	\$0
<b>Total Recommendations Included in Forecast</b>	<b>\$12,819</b>	<b>\$17,583</b>	<b>\$20,194</b>	<b>\$1,294</b>	<b>\$3,652</b>

Source: AOS Recommendations and Forecast Assumptions

**Table 5-32: Performance Audit Recommendations (Police Fund)**

Recommendation	2006	2007	2008	2009	2010
<b>Recommendations:</b>					
<b>R2.12</b> Savings from consortium	\$174	\$358	\$369	\$380	\$392
<b>R2.18</b> Implement economic development initiatives		\$16,647	\$17,646	\$18,476	\$19,344
<b>R3.1</b> Reduce health care costs		\$18,630	\$21,425	\$24,638	\$28,334
<b>R3.2</b> Require employee health care contributions	\$4,260	\$9,798	\$11,268	\$12,958	\$14,902
<b>R3.3</b> Obtain prompt pay discount for workers' compensation		\$618	\$637	\$656	\$675
<b>R4.4</b> Install fuel management system	(\$6,900)	\$0	\$0	\$0	\$0
<b>Total Recommendations Included in Forecast</b>	<b>(\$2,466)</b>	<b>\$46,052</b>	<b>\$51,344</b>	<b>\$57,108</b>	<b>\$63,647</b>

Source: AOS Recommendations and Forecast Assumptions





*Lynda Bowers* July 17, 2006

*Trustee*

*President*

*330-723-8483*

Honorable Betty D. Montgomery, Auditor of State

P.O. Box 1140

Columbus, Ohio 43216-1140

*Lee Kehoe*

*Trustee*

*Vice President*

Dear Auditor Montgomery:

*Donna Young*

*Trustee*

*Shirley Bailey*

*Fiscal Officer*

*330-725-6515*

The Lafayette Township Board of Trustees thanks the audit team for its professionalism and patience working with our township. It is well established that by 2005 township finances and records were a serious challenge. Our 2006 tax budget approved in 2005 projected half of the township accounts into the negative by almost half a million dollars. Your audit team began fieldwork in August of 2005. Missing, miscoded and inaccurate financial information delayed completion until July of 2006.

In the meantime, the onset of 2006 brought us a new fiscal officer by court-ordered appointment as well as new leadership on the board of trustees. At this time, Lafayette Township finances are organized and accurate. Budgeting is within available resources and includes rebuilding responsible carryovers. The current board reorganized and streamlined operations. Seven part-time and political appointment positions have been eliminated. We have been able to achieve a high level and quality of service to our residents with fewer staff and fewer dollars. An appropriations budget was completed for 2006 by identifying necessary expenses starting at a zero balance. The result was an appropriations budget approximately \$467,000 less than the earlier tax budget projection. Although small supplements have been necessary, the completed 2007 tax budget projection cuts yet another \$300,000 in spending.

The audit's key recommendations are well founded. In fact, most all of them had been implemented prior to completion of the report. Although the term of audit information relied upon was to December 31, 2005, the auditors did recognize the impact of some of these improvements. This administration's immediate goal has been to bring financial stability to the township. The performance audit provides valuable framework upon which to continue building financial policies that will sustain this positive direction long term. The board will rely on the audit's findings and recommendations as we continue restructuring, reprioritizing and careful management.

Sincerely,

  
Lynda Bowers, Trustee

  
Lee Kehoe, Trustee

  
Donna Young, Trustee