

**LAFAYETTE TOWNSHIP**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND DECEMBER 31, 2006

Varney, Fink & Associates, Inc.  
Certified Public Accountants





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Lafayette Township, Medina County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

May 11, 2009

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**LAFAYETTE TOWNSHIP, OHIO  
MEDINA COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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

Lafayette Township  
6776 D Wedgewood Road  
Medina, Ohio 44256

To the Township Trustees:

We have audited the accompanying financial statements of Lafayette Township, Medina County, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

## INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 30, 2008

**Lafayette Township  
Medina County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances - All Governmental Fund Types  
For the Year Ended December 31, 2007**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$46,875	\$904,540	\$951,415
Charges for Services	0	24,646	24,646
Licenses, Permits and Fees	135	16,450	16,585
Fines and Forfeitures	2,080	0	2,080
Intergovernmental Receipts	173,985	296,793	470,778
Interest	79,861	4,854	84,715
All Other Receipts	1,693	2,505	4,198
Total Cash Receipts	<u>304,629</u>	<u>1,249,788</u>	<u>1,554,417</u>
Cash Disbursements			
Current:			
General Government	402,231	213,946	616,177
Public Safety	863	125,515	126,378
Public Works	352	378,388	378,740
Health	0	165	165
Human Services	12	0	12
Conservation/Recreation	2,164	0	2,164
Capital Outlay	0	201,683	201,683
Total Cash Disbursements	<u>405,622</u>	<u>919,697</u>	<u>1,325,319</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(100,993)</u>	<u>330,091</u>	<u>229,098</u>
Other Financing Receipts/(Disbursements)			
Sale of Fixed Assets	0	20,000	20,000
Transfers-In	0	8,000	8,000
Transfers-Out	(8,000)	0	(8,000)
Advances-In	1,321	1,321	2,642
Advances-Out	(1,321)	(1,321)	(2,642)
Other Financing Sources	2,977	0	2,977
Other Financing Uses	0	(2,977)	(2,977)
Total Other Financing Receipts/(Disbursements)	<u>(5,023)</u>	<u>25,023</u>	<u>20,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(106,016)	355,114	249,098
Extraordinary Item (See Note 8)	(6,103)	6,103	0
Fund Cash Balances, January 1, 2007	<u>597,834</u>	<u>1,310,110</u>	<u>1,907,944</u>
Fund Cash Balances, December 31, 2007	<u>\$485,715</u>	<u>\$1,671,327</u>	<u>\$2,157,042</u>
Reserve for Encumbrances	<u>\$42,689</u>	<u>\$34,710</u>	<u>\$77,399</u>

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

**Lafayette Township  
Medina County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances - All Governmental Fund Types  
For the Year Ended December 31, 2006**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$46,043	\$903,561	\$949,604
Charges for Services	9	24,263	24,272
Licenses, Permits and Fees	507	16,104	16,611
Fines and Forfeitures	5,052	55	5,107
Intergovernmental Receipts	133,145	285,199	418,344
Interest	60,997	2,772	63,769
All Other Receipts	2,630	2,006	4,636
Total Cash Receipts	<u>248,383</u>	<u>1,233,960</u>	<u>1,482,343</u>
Cash Disbursements			
Current:			
General Government	163,373	144,194	307,567
Public Safety	44,660	392,104	436,764
Public Works	0	414,118	414,118
Health	7	0	7
Conservation/Recreation	4,048	0	4,048
Capital Outlay	0	144,986	144,986
Total Cash Disbursements	<u>212,088</u>	<u>1,095,402</u>	<u>1,307,490</u>
Total Cash Receipts Over Cash Disbursements	<u>36,295</u>	<u>138,558</u>	<u>174,853</u>
Other Financing Receipts/(Disbursements)			
Sale of Fixed Assets	3,720	4,000	7,720
Advances-In	587	587	1,174
Advances-Out	(587)	(587)	(1,174)
Total Other Financing Receipts/(Disbursements)	<u>3,720</u>	<u>4,000</u>	<u>7,720</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	40,015	142,558	182,573
Fund Cash Balances, January 1, 2006	<u>557,819</u>	<u>1,167,552</u>	<u>1,725,371</u>
Fund Cash Balances, December 31, 2006	<u>\$597,834</u>	<u>\$1,310,110</u>	<u>\$1,907,944</u>
Reserve for Encumbrances	<u>\$18,190</u>	<u>\$127,248</u>	<u>\$145,438</u>

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

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

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

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

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

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

B. Basis of Accounting

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

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

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

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

C. Cash and Investments

The Township's accounting basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Investments in STAR Ohio are recorded at share value.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

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

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

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

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

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

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

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

E. Budgetary Process

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

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

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

**Appropriations** - Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the legal level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

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

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$644,581	\$423,325
Certificates of Deposits	<u>964,692</u>	<u>850,000</u>
Total Deposits	<u>1,609,273</u>	<u>1,273,325</u>
STAR Ohio	<u>547,769</u>	<u>634,619</u>
Total Investments	<u>547,769</u>	<u>634,619</u>
Total Deposits & Investments	<u><u>\$2,157,042</u></u>	<u><u>\$1,907,944</u></u>

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

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

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 was as follows:

2007 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$175,253	\$308,927	\$133,674
Special Revenue	1,179,064	1,285,212	106,148
Total	<u>\$1,354,317</u>	<u>\$1,594,139</u>	<u>\$239,822</u>

2007 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$465,745	\$463,735	\$2,010
Special Revenue	1,588,689	958,705	629,984
Total	<u>\$2,054,434</u>	<u>\$1,422,440</u>	<u>\$631,994</u>

2006 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$175,016	\$252,690	\$77,674
Special Revenue	1,190,023	1,238,547	48,524
Total	<u>\$1,365,039</u>	<u>\$1,491,237</u>	<u>\$126,198</u>

2006 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$254,622	\$230,865	\$23,757
Special Revenue	1,694,445	1,223,237	471,208
Total	<u>\$1,949,067</u>	<u>\$1,454,102</u>	<u>\$494,965</u>

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

4. **PROPERTY TAX**

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

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

Tangible personal property tax is assessed to the property owners, who must file a list of such property to the County by each April 30.

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

5. **RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, law enforcement members contributed 10.1% of their wages and the Township contributed an amount equal to 16.7% of law enforcement wages to OPERS. The Township did not have law enforcement personnel in 2007. Other OPERS members contributed 9.5% and 9.0% of their gross salaries for 2007 and 2006, respectively. The Township contributed an amount equal to 10.85% and 10.70% of participants gross salaries for 2007 and 2006 respectively. The Township has paid all contributions required through December 31, 2007.

6. **INSURANCE**

The Township has obtained commercial insurance for the following risks:

- Property
- Vehicles
- General Liability
- Public Officials Liability
- Commercial Inland Marine
- Employee Liability

LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and DECEMBER 31, 2006

6. **INSURANCE** (continued)

- Accident and Specified Sickness (Emergency Service Personnel)
- Law Enforcement Liability
- Comprehensive Property and General Liability
- Errors and Omissions

7. **LITIGATION**

As of December 31, 2007, the Township was a party to various legal proceedings. The ultimate disposition of those proceedings is not presently determinable, but will not, in the opinion of the Township, have a material adverse effect on the continued operation of the Township.

8. **EXTRAORDINARY ITEM**

As a result of a prior audit finding and further legal determination, the Lafayette Township Police District, a legal entity distinct from the Township itself, owed to the Lafayette Township General Fund \$47,444. The Police District utilized said funds to provide police service to the unincorporated area of Lafayette Township. The Police District had no existing funds that could be utilized to repay the balance of the debt found owed to the General Fund except for the possibility of a small collection of delinquent taxes. In fiscal year 2006, expenditures of the Police District totaling \$41,341 for a contract with the Medina County Sheriff were moved to the General Fund leaving an existing debt of \$6,103. In June of fiscal year 2008 the Township passed a resolution that, except for the application of delinquent taxes that maybe collected from time to time, waived the debt the Police District owed to the General Fund. This debt has been eliminated and subsequently booked as an extraordinary item on the face of the financial statements in fiscal year. 2007.

9. **COMPLIANCE**

- Contrary to Ohio Revised Code Section 5705.41(D) during both 2007 and 2006 the Township entered into contracts and ordered expenditures of monies prior to obtaining the fiscal officers certification that funds have been appropriated and funds are available
- Contrary to Ohio Revised Code Section 5705.10 the Township incurred a negative cash balance in the Police District Fund which is an indication that revenues from other funds were used to pay obligations of the Police District.
- Contrary to Ohio Revised Code Section 5705.38, appropriations were amended in the accounting system without being authorized by the Board of Trustees.

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

Lafayette Township  
6776 D Wedgewood Road  
Medina, Ohio 44256

To the Township Trustees:

We have audited the financial statements of Lafayette Township, Medina County (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated December 30, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than the accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2007-01 and 2007-02 to be significant deficiencies in internal control over financial reporting.

**Lafayette Township**  
**Report on Internal Control Over**  
**Financial Reporting and on Compliance and Other Matters**  
**Based on an Audit of Financial Statements performed in**  
**Accordance with *Government Auditing Standards***  
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2007-01 and 2007-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany Schedule of Findings and Responses as items 2007-02 through 2007-04.

We noted certain matters that we reported to management of the Township in a separate letter dated December 30, 2008.

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

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

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 30, 2008

LAFAYETTE TOWNSHIP  
 MEDINA COUNTY  
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Finding 2007-01                      Significant Deficiency/Material Weakness

Financial Statement Presentation

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

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

- The sale of fixed assets for \$3,720 in the General Fund was shown as Charges for Services in 2006.
- Public Safety, General Government and Capital Outlay disbursements were recorded as Other Financing Uses in the General Fund and Fire and EMS Fund.

<u>2006</u>	<u>Public Safety</u>	<u>General Government</u>	<u>Capital Outlay</u>
General Fund	\$3,069	\$1,500	\$0
Fire & EMS Fund	4,776	0	9,843

<u>2007</u>	<u>Public Safety</u>	<u>General Government</u>	<u>Capital Outlay</u>
Fire & EMS Fund	9,189	0	44,400

- Intergovernmental receipts were posted as Property Tax receipts as follows:

	<u>2006</u>	<u>2007</u>
General	\$3,339	\$0
Road and Bridge	19,001	1,799
Police fund	20,033	2,845
Fire Fund	23,065	2,292
Ambulance	480	383
Permissive MVL	50,737	54,351

- Fire Fund Intergovernmental receipts were posted to the Ambulance Fund \$952
- MVL Tax Fund receipts were recorded to the Gas Tax Fund \$301 and to the Permissive MVL Tax Fund \$1,684

LAFAYETTE TOWNSHIP  
 MEDINA COUNTY  
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

- Fire & EMS charges for services of \$1,348 were posted as Intergovernmental receipts.
- Property Tax receipts were posted as Intergovernmental receipts as follows:

	<u>2006</u>	<u>2007</u>
General	\$16,838	\$0
Permissive MVL	8,146	10,189

- Sheriff contract payment of \$41,341 posted to Police Fund rather than the General Fund.

Officials Response:

Coding issues on the tax receipts will be reviewed with auditors and addressed. The Police Fund posting is a unique circumstance which was completed by instruction of the State Auditor and UAN support. The Township was specifically advised, at the time, payments should not be posted against the Police Fund. The situation has now been resolved in accordance with the instruction of the Ohio State Auditor and Ohio Department of Taxation.

Finding 2007-02                      Significant Deficiency/Material Weakness/Noncompliance

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

During fiscal years 2007 and 2006, appropriations were amended in the accounting system without the approval of the Board of Trustees. Since these appropriations were not legally enacted, they were disregarded for purposes of this report. As the Township’s legislative authority, the Board should approve all appropriations prior to the Clerk amending the Township’s appropriations in the accounting system.

Officials Response:

Occasionally spending approved by Trustees on a specific line item exceeded the appropriation. In these events, the amendment was made as an accommodation. In the future, Trustees have been requested to review appropriations at regular intervals to make sure all line items are sufficient, including an amount sufficient to cover emergency circumstances which was typically the problem.

LAFAYETTE TOWNSHIP  
MEDINA COUNTY  
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Finding 2007-03                      Noncompliance

Ohio Revised Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The Township used General Fund monies to pay for Police District operations. These funds were returned to the General Fund which created a negative fund balance in the Police District Fund of \$299,234 at December 31, 2006.

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

Officials Response:

As in Finding 2007-01, the Police District Fund issue posed a unique circumstance. I was appointed Fiscal Officer the end of January 2006. Prior to that time, the General Fund of the Township had been used for many years to cover shortfalls in the Police District Fund. Repayment of the General Fund created the negative balance which was subsequently waived by Resolution of the Board of Trustees consistent with the advice of the Medina County Prosecutor, Ohio State Auditor and Ohio Department of Taxation.

Finding 2007-04                      Noncompliance

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

This section also provides exceptions to the above requirements:

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made, and at the time the fiscal officer is completing the certification, that sufficient funds were available or in the process of collection to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the Trustees may authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "Then and Now" Certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution

LAFAYETTE TOWNSHIP  
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or ordinance upon completion of the “Then and Now” Certificate, provided that the expenditure is otherwise lawful. This does not eliminate any other applicable requirement for approval of expenditures by the Township.

The Township did not properly certify the availability of funds prior to purchase commitment for 67% and 57% of the expenditures tested during 2006 and 2007, respectively. In addition, there was no evidence that the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “Then and Now” certification should be used.

Officials Response:

A signed requisition constituting the fiscal officers certificate is attached to every contract and invoice involving the expenditure of money. The problem noted is that the certification date was sometimes later than that which appears on the requisition. These occurrences were the result of work being performed or expenditures authorized prior to approval of the entire Board of Trustees. All Trustees have been cautioned against proceeding in this manner in the future.

**LAFAYETTE TOWNSHIP  
MEDINA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007  
AND DECEMBER 31, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2005-001	ORC Section 5705.38, appropriations amended in accounting system without approval of Trustees.	No	Not Corrected, Reissued as Finding 2007-02
2005-002	ORC Section 5705.39, appropriations exceeding estimated resources	Yes	Finding no Longer Valid
2005-003	ORC Section 5705.41(B), expenditures and encumbrances exceeding authorized appropriations	Yes	Finding no Longer Valid
2005-004	ORC Section 5705.41(D) Certification of fiscal officer	No	Not Corrected, Reissued as Finding 2007-04
2005-005	Ohio Constitution, Article X11, Section 5a, allocation of interest.	Yes	Finding no Longer Valid
2005-006	ORC Section 5705.14, 5705.15 and 5705.16 Transfers	Yes	Finding no Longer Valid
2005-007	ORC Section 5705.10 Negative Cash fund balance	No	Not Corrected, Reissued as Finding 2007-03
2005-008	Bank Reconciliations	Yes	Finding no Longer Valid



**Mary Taylor, CPA**  
Auditor of State

**LAFAYETTE TOWNSHIP**

**MEDINA COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 21, 2009**