



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Lafayette Township
Medina County
6776-D Wedgewood Road
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Lafayette Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Lafayette Township, Medina County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 2, 2000

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**LAFAYETTE TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$30,298	\$582,764	\$613,062
Intergovernmental	154,080	263,160	417,240
Charges for Services		8,298	8,298
Licenses, Permits and Fees	1,556	14,577	16,133
Fines, Forfeitures, and Penalties	14,686		14,686
Earnings on Investments	12,441	2,354	14,795
Other	3,018	350	3,368
	<u>216,079</u>	<u>871,503</u>	<u>1,087,582</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	109,302	17,717	127,019
Public Safety	17,471	383,534	401,005
Public Works	8,773	242,163	250,936
Health		160	160
Capital Outlay	40,486	38,876	79,362
Debt Service:			
Redemption of Principal		10,642	10,642
Interest and Fiscal Charges		5,265	5,265
	<u>176,032</u>	<u>698,357</u>	<u>874,389</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	<u>40,047</u>	<u>173,146</u>	<u>213,193</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	0	19,000	19,000
Transfers-Out	(19,000)	0	(19,000)
	<u>(19,000)</u>	<u>19,000</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts over Cash Disbursements and Other Financing Disbursements	21,047	192,146	213,193
Fund Cash Balances, January 1	<u>34,296</u>	<u>536,310</u>	<u>570,606</u>
Fund Cash Balances, December 31	<u>\$55,343</u>	<u>\$728,456</u>	<u>\$783,799</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**LAFAYETTE TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$26,848	\$554,151	\$580,999
Intergovernmental	174,561	144,408	318,969
Charges for Services		13,262	13,262
Licenses, Permits and Fees	821	12,835	13,656
Fines, Forfeitures, and Penalties	9,523		9,523
Earnings on Investments	16,186		16,186
Other	12,634	18,141	30,775
Total Cash Receipts	<u>240,573</u>	<u>742,797</u>	<u>983,370</u>
Cash Disbursements:			
Current:			
General Government	278,105	19,235	297,340
Public Safety	7,060	245,913	252,973
Public Works	10,971	169,116	180,087
Health			0
Capital Outlay		145,819	145,819
Debt Service:			
Redemption of Principal		44,950	44,950
Interest and Fiscal Charges		7,511	7,511
Total Cash Disbursements	<u>296,136</u>	<u>632,544</u>	<u>928,680</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(55,563)</u>	<u>110,253</u>	<u>54,690</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	0	30,000	30,000
Transfers-Out	(30,000)	0	(30,000)
Other uses	0	(28)	(28)
Total Other Financing Receipts/(Disbursements)	<u>(30,000)</u>	<u>29,972</u>	<u>(28)</u>
Excess of Cash Receipts and Other Financing Receipts over/(under) Cash Disbursements and Other Financing Disbursements	<u>(85,563)</u>	<u>140,225</u>	<u>54,662</u>
Fund Cash Balances, January 1	<u>119,859</u>	<u>396,085</u>	<u>515,944</u>
Fund Cash Balances, December 31	<u>\$34,296</u>	<u>\$536,310</u>	<u>\$570,606</u>
Reserve for Encumbrances, December 31	<u>\$1,839</u>	<u>\$0</u>	<u>\$1,839</u>

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

**LAFAYETTE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lafayette Township, Medina County, Ohio, (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 maintenance, police protection, emergency medical services, and fire protection services.

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

B. Basis of Accounting

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

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

C. 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 restricted.

Special Revenue Funds

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

Road and Bridge Fund - This fund receives property taxes and intergovernmental receipts for constructing, maintaining and repairing Township roads.

Police District Fund - This fund is used to account for a portion of property tax revenue received and used for the purpose of maintaining the Township police department.

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

Contrary to Ohio Admin. Code Section 117-3-02, a separate fund was not established for the Motor Vehicle Permissive License Tax Levy.

**LAFAYETTE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$783,799	\$570,606

Deposits are generally insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

**LAFAYETTE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

Deposits

However, contrary to Ohio Rev. Code Section 135.18, December 31, 1999 and 1998 deposits of \$318,652 and \$41,372, respectively, were not insured or collateralized. In addition, average monthly unsecured and uncollateralized deposits amounted to \$84,239 in 1999 and \$216,477 in 1998. Average monthly deposits amounted to \$684,239 in 1999 and \$816,477 in 1998.

Contrary to Ohio Rev. Code Section 135.14, the Township has not filed an investment policy or certified its compliance with Ohio Rev. Code Sections 135.01 and 135.21 with the Auditor of State.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and 1998 was as follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$278,638	\$216,079	(\$62,559)
Special Revenue	<u>1,144,818</u>	<u>890,503</u>	<u>(254,315)</u>
Total	<u>\$1,423,456</u>	<u>\$1,106,582</u>	<u>(\$316,874)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$277,438	\$195,032	\$82,406
Special Revenue	<u>1,140,818</u>	<u>698,357</u>	<u>442,461</u>
Total	<u>\$1,418,256</u>	<u>\$893,389</u>	<u>\$524,867</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$280,334	\$240,573	(\$39,761)
Special Revenue	<u>1,031,412</u>	<u>772,797</u>	<u>(258,615)</u>
Total	<u>\$1,311,746</u>	<u>\$1,013,370</u>	<u>(\$298,376)</u>

**LAFAYETTE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$279,934	\$327,795	(\$47,861)
Special Revenue	<u>947,402</u>	<u>632,572</u>	<u>314,830</u>
Total	<u>\$1,227,336</u>	<u>\$960,367</u>	<u>\$266,969</u>

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriations in the following funds by the following amounts:

Fund	1999	1998
General	\$0	(\$47,861)
Police District	(45,246)	(41,189)
Zoning	(6,155)	(8,986)

Contrary to Ohio Rev. Code Section 5705.40(D), all expenditures were not certified prior to incurrence of obligations.

Contrary to Ohio Admin. Code 117-3-05, purchase orders were not used from January through April 1998.

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 and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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.

**LAFAYETTE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Police Station Construction Note	\$77,163	7%

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

Year ending December 31:	Police Station Construction Note
2000	\$15,907
2001	15,907
2002	15,907
2003	15,907
2004	15,907
2005	15,907
Total	\$95,442

6. RETIREMENT SYSTEM

The Township's Police Officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Property
- Vehicles
- General liability
- Public officials liability
- Commercial inland marine
- Employee liability
- Accident and specified sickness (emergency service personnel)
- Health and dental (full-time employees)
- Law enforcement liability

LAFAYETTE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal and state governments. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lafayette Township
Medina County
6776-D Wedgewood Road
Medina, Ohio 44256

To the Board of Trustees:

We have audited the financial statements of Lafayette Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 2, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40952-001 through 1999-40952-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 2, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-40952-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 2, 2000.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 2, 2000

**LAFAYETTE TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40952-001

Noncompliance Citation

Ohio Admin. Code Section 117-3-05, provides purchase order procedures for Townships. These procedures are as follows:

- a. All purchase orders shall be numbered consecutively.
- b. Each purchase order shall be made out in triplicate. The original copy shall be filed with the township clerk to be used as a posting media to encumber the line-item appropriation and filed in numerical sequence. The second copy shall be given to the vendor. The third copy shall be returned to the individual initiating the purchase order or requisition. This third copy shall serve as a receiving report and be returned to the clerk once the item(s) are received and verified. This third copy of the purchase order shall then be attached to the voucher along with the invoice.
- c. Each purchase order shall provide the following information:
 - Purchase order number and the date;
 - Requisition number, if applicable;
 - Name of Township;
 - Destination and method of shipment;
 - Appropriation fund, code classification, and amount;
 - Quantity, unit, description, and cost;
 - Name and title of person(s) authorizing the purchase order;
 - The clerk's certification as pursuant to section 5705.413 and Division (D) of section 5705.41 of the Revised Code;
 - When applicable, pursuant to section 5705.41 of the Revised Code, the name of the vendor.
 - When a blanket certification has been authorized, the purchase order shall indicate the blanket certification, the effective date of the certification, and the amount.

The Township did not use purchase orders from January through April 1998.

FINDING NUMBER 1999-40952-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states in part that, no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need only be signed by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

FINDING NUMBER 1999-40952-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (Continued)

- If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township did not certify the availability of funds before entering into commitments for the expenditure of monies for seventy-five percent of expenditures tested. The Township did certify funding availability at month-end but did not certify funding availability in accordance with "Then and Now" certification requirements.

FINDING NUMBER 1999-40952-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures exceeded appropriations in the following funds by the following amounts:

Fund	1999	1998
General	\$0	(\$47,861)
Police District	(45,246)	(41,189)
Zoning	(6,155)	(8,986)

FINDING NUMBER 1999-40952-004

Noncompliance Citation

Ohio Rev. Code Sections 135.18 states in part that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

On average, \$84,239 of 1999 Township deposits and \$216,477 of 1998 Township deposits were not insured or collateralized throughout the year. In addition, \$318,652 and \$41,372 of deposits were not insured or collateralized at December 31, 1999 and 1998, respectively.

To ensure Township deposits are adequately secured, the Clerk should request collateral coverage reports from the Bank. The Clerk should review the reports and ensure the bank provides adequate security for Township deposits.

FINDING NUMBER 1999-40952-005

Noncompliance Citation

Ohio Revised Code Section 135.14 requires that investments or deposits made under Ohio Rev. Code Section 135.14 cannot be made unless a written investment policy, approved by the Clerk or governing board, is on file with the Auditor of State, with the following exceptions:

- If a written investment policy is not filed with the Auditor of State, the Clerk or governing board is permitted to invest only in interim deposits or the State Treasurer's Investment Pool, STAR Ohio.
- A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the Clerk or Board of Trustees certifies to the Auditor of State that the Clerk or Board of Trustees will comply and is in compliance with the provisions of Ohio Rev. Code Sections 135.01 and 135.21.

The Board of Trustees and Clerk did not certify to the Auditor of State that the Board of Trustees and Clerk will comply and is in compliance with the provisions of Ohio Rev. Code Sections 135.01 and 135.21. Also, the Board of Trustees has not implemented an investment policy. This condition legally limits Management's investment options to interim deposits or the State Treasurer's Investment Pool, (STAR Ohio).

Since the Township's average annual investment portfolio balance is less than \$100,000, the Board of Trustees and Clerk should certify to the Auditor of State that the Board of Trustees and Clerk will comply and are in compliance with the provisions of Ohio Rev. Code Sections 135.01 and 135.21. The Board should also implement an investment policy to allow Management to increase the Township's return on investments.

The investment policy should include the following information:

- Clerk's authorization to invest funds;
- Investment types considered permissible by the Board;
- Investment types which are prohibited by the Board;
- Investment maturity requirements;
- Acceptable portfolio risk;
- Township investment goals (ie. preservation of investment principle, emphasis on income or capital gains, etc.);

Township management will need to assess the extent of its policy requirements based on the level of investment activity, investment types, and investment goals of the Board.

In addition, the investment policy must be signed by:

- All entities conducting investment business with the Clerk or Board of Trustees (except the Treasurer of State);

FINDING NUMBER 1999-40952-005 (Continued)

Noncompliance Citation (Continued)

Ohio Revised Code Section 135.14 (Continued)

- All brokers, dealers, and financial institutions, described in Section 135.14(M)(1), initiating transactions with the Clerk or Board of Trustees by giving advice or making investment recommendations;
- All brokers, dealers, and financial institutions, described in Section 135.14(M)(1), executing transactions initiated by the Clerk or Board of Trustees.

FINDING NUMBER 1999-40952-006

Noncompliance Citation

Ohio Admin. Code Section 117-3-02, requires in part that a separate fund be established for each separate source of revenue, including Motor Vehicle Permissive License Tax, in the special revenue fund type.

The Township recorded Motor Vehicle Permissive License Tax receipts in the General Fund instead of establishing a special revenue fund to record the receipts.

The Township should establish a separate special revenue fund and record these receipts in this fund to properly account for Motor Vehicle Permissive License Tax receipts and related expenditures.

FINDING NUMBER 1999-40952-007

Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point in time. From January 1, 1998 through December 31, 1999, the Township did not reconcile the balance of the bank and the balance of the cash in the accounting records. At December 31, 1999 and 1998, there was an unreconciled differences of \$7,575 and \$17,366, respectively. The annual reports for fiscal years 1999 and 1998 were filed with the Auditor of State with adjustments to show a reconciled amount.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner. In addition, Township management is not provided with timely fiscal information that is vital to the continued operations and decision making process of the Township, which could negatively impact management's ability to manage Township operations.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a hard copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month.



STATE OF OHIO
OFFICE OF THE AUDITOR

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LAFAYETTE TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 12, 2000**