



**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LAFAYETTE TOWNSHIP
MEDINA COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Lafayette Township
Medina County
6676-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, 2001 and 2000. 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 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 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 discussed 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 the Township as of December 31, 2001 and 2000, 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 November 18, 2002 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 audits.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and other officials authorized to receive this report under § 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". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

November 18, 2002

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Local Taxes	\$30,881	\$550,086	\$580,967
Intergovernmental	158,535	252,869	411,404
Charges for Services	888	27,177	28,065
Licenses, Permits, and Fees		22,226	22,226
Fines, Forfeitures, and Penalties	7,295	210	7,505
Earnings on Investments	27,549		27,549
Other	4,661	1,894	6,555
	<u>229,809</u>	<u>854,462</u>	<u>1,084,271</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	131,353	23,547	154,900
Public Safety	60,085	428,238	488,323
Public Works	6,068	275,601	281,669
Health	549		549
Conservation - Recreation	158		158
Capital Outlay		98,929	98,929
Debt Service:			
Redemption of Principal		11,887	11,887
Interest and Fiscal Charges		4,020	4,020
	<u>198,213</u>	<u>842,222</u>	<u>1,040,435</u>
Total Cash Disbursements			
	<u>31,596</u>	<u>12,240</u>	<u>43,836</u>
Total Cash Receipts Over Cash Disbursements			
	<u>31,596</u>	<u>12,240</u>	<u>43,836</u>
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets		550	550
Transfers-In	75,340	40,000	115,340
Advances-In		80,000	80,000
Transfers-Out	(40,000)	(75,340)	(115,340)
Advances-Out		(80,000)	(80,000)
Proceeds from Insurance Demutualization	14,493		14,493
	<u>49,833</u>	<u>(34,790)</u>	<u>15,043</u>
Total Other Financing Receipts/(Disbursements)			
	<u>49,833</u>	<u>(34,790)</u>	<u>15,043</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	81,429	(22,550)	58,879
Fund Cash Balances, January 1	54,341	902,889	957,230
	<u>54,341</u>	<u>902,889</u>	<u>957,230</u>
Fund Cash Balances, December 31	<u>\$135,770</u>	<u>\$880,339</u>	<u>\$1,016,109</u>
Reserves 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
MEDINA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$29,947	\$544,117	\$574,064
Intergovernmental	166,572	173,931	340,503
Charges for Services		14,395	14,395
Licenses, Permits, and Fees		21,484	21,484
Fines, Forfeitures, and Penalties	10,309	90	10,399
Earnings on Investments	25,858		25,858
Other	4,509		4,509
	<u>237,195</u>	<u>754,017</u>	<u>991,212</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	131,000	15,988	146,988
Public Safety	28,809	413,994	442,803
Public Works	7,344	155,808	163,152
Health	3,121		3,121
Capital Outlay	27,923	17,887	45,810
Debt Service:			
Redemption of Principal		11,000	11,000
Interest and Fiscal Charges		4,907	4,907
	<u>198,197</u>	<u>619,584</u>	<u>817,781</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	<u>38,998</u>	<u>134,433</u>	<u>173,431</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		40,000	40,000
Transfers-Out	(40,000)		(40,000)
	<u>(40,000)</u>	<u>40,000</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,002)	174,433	173,431
Fund Cash Balances, January 1	55,343	728,456	783,799
Fund Cash Balances, December 31	<u>\$54,341</u>	<u>\$902,889</u>	<u>\$957,230</u>
Reserves for Encumbrances, December 31	<u>\$337</u>	<u>\$0</u>	<u>\$337</u>

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

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lafayette Township, Medina County, (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 protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when 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. Cash and Investments

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

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

D. Fund Accounting

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

1. General Fund

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

2. 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 and bridges.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Gasoline Tax Fund - This fund receives gasoline taxes to pay 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.

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 be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. 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.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, employees are entitled to cash payments for unused vacation and sick leave, 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 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:

	2001	2000
Demand deposits	\$596,109	\$552,230
Certificates of deposit	350,000	300,000
Total deposits	946,109	852,230
Sweep account	70,000	105,000
Total deposits and investments	\$1,016,109	\$957,230

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Equity securities for the sweep account are held in book entry form by the financial institution's trust department in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$190,130	\$319,642	\$129,512
Special Revenue	712,300	895,012	182,712
Total	\$902,430	\$1,214,654	\$312,224

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$268,253	\$238,213	\$30,040
Special Revenue	1,605,079	917,562	687,517
Total	<u>\$1,873,332</u>	<u>\$1,155,775</u>	<u>\$717,557</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$32,900	\$237,195	\$204,295
Special Revenue	841,414	794,017	(47,397)
Total	<u>\$874,314</u>	<u>\$1,031,212</u>	<u>\$156,898</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$332,889	\$238,197	\$94,692
Special Revenue	1,486,379	619,584	866,795
Total	<u>\$1,819,268</u>	<u>\$857,781</u>	<u>\$961,487</u>

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

- Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures as of December 31, 2001, March 31, 2001, and January 31, 2000 exceeded appropriations within the following funds by the following amounts:

<u>Fund</u>	<u>December 31 2001</u>	<u>March 31 2001</u>	<u>January 31 2000</u>
General	\$0	\$69,826	\$3,251
Motor Vehicle	44,175	105	0
Gasoline Tax	0	19,478	0
Road and Bridge	39,085	33,592	4,774
Police	74,799	62,669	6,812
Fire	0	27,499	0
Ambulance and Emergency Service	0	53,389	0

- Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability of funds for certain expenditures during 2001 and 2000.
- Contrary to Ohio Constitution, Article XII, Section 5a, interest earnings in 2001 and 2000, in the amounts of \$5,350 and \$5,639, respectively, were not properly credited to certain funds.
- Contrary to Ohio Rev. Code Section 5705.10, the Township expended moneys from funds for purposes other than for which the fund was established.
- Contrary to Ohio Rev. Code Section 5705.38, the Township amended their appropriations without the approval of the Board of Trustees.
- Contrary to Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16, the Township made transfers and advances without proper Board authorization.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by 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 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.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Police Station Construction Note	\$55,010	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
2002	\$15,907
2003	15,907
2004	15,907
2005	15,907
Total	\$63,628

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio, except certain volunteer fire and rescue personnel who are covered under social security. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2001, law enforcement members contributed 10.1% of their wages; for 2000, law enforcement personnel contributed 9.0% of their wages. The Township contributed an amount equal to 16.7% of law enforcement wages to PERS in 2001 and 2000. Other PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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
- Comprehensive property and general liability
- Errors and omissions.

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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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**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 accompanying financial statements of Lafayette Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated November 18, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-40952-001 through 2001-40952-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 18, 2002.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Lafayette Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-40952-007 through 2001-40952-009.

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, of the reportable conditions described above, we consider items 2001-40952-007 and 2001-40952-008 to be material weaknesses. 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 Lafayette Township in a separate letter dated November 18, 2002.

This report is intended solely for the information and use of the audit committee, 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

November 18, 2002

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40952-001

Ohio Rev. Code Section 5705.10 requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. The section goes on to state that money paid into any fund shall be used for the purpose for which such fund is established. Additionally, Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions. These provisions require that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

The following matters were noted which are contrary to the above provisions (The Township has made adjustments for these matters which are reflected in the financial statements):

- The Township recorded Motor Vehicle Permissive License Tax receipts of \$8,675 and \$8,351 in FY 2001 and FY2000, respectively, in the Motor Vehicle License Tax Fund instead of the Motor Vehicle Permissive License Tax Fund
- As a result of errors noted during the audit and corrected by the Township, the Township had negative cash balances at December 31, 2001, of \$32,799 and \$1,908 in the Motor Vehicle License Fund and Zoning Fund, and \$1,465 in the Zoning Fund at December 31, 2000, indicating that monies were expended from funds for purposes other than prescribed by law.
- During FY 2001, the Township advanced \$40,000 to the Police Fund whose purpose is distinctly different from the Road and Bridge Fund from which the monies were advanced.

The Township should establish a separate special revenue fund to account for Motor Vehicle Permissive License Tax receipts and related expenditures in order to properly account for these receipts and expenditures. A similar matter was included in the Township's Schedule of Findings for the period ended December 31, 1999.

FINDING NUMBER 2001-40952-002

Ohio Rev. 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 Rev. 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 year 2001, 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 and contributed to the budgetary variances reported in Finding Number 2001-40952-004. 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.

Noncompliance Citations (Continued)

FINDING NUMBER 2001-40952-003

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. During FY 2001 and FY 2000, the Township made transfers and advances without proper board authorization, and also made transfers that were contrary to the authorized amounts. See the table below for how these transfers were originally recorded.

For FY 2001

<u>Fund</u>	<u>Recorded Transfers In</u>	<u>Authorized Transfers In</u>	<u>Variance</u>	<u>Recorded Transfers Out</u>	<u>Authorized Transfers Out</u>	<u>Variance</u>
General	\$35,000	\$75,340	\$40,340	\$40,000	\$40,000	\$0
Police Fund	90,000	40,000	(50,000)	0	0	0
Road and Bridge	0	0	0	75,000	75,000	0
Cemetery	0	0	0	0	340	340
Total	\$125,000	\$115,340	\$(9,660)	\$115,000	\$115,340	\$340

<u>Fund</u>	<u>Recorded Advances In</u>	<u>Authorized Advances In</u>	<u>Variance</u>	<u>Recorded Advances Out</u>	<u>Authorized Advances Out</u>	<u>Variance</u>
Police Fund	\$40,000	\$40,000	\$0	\$0	\$40,000	\$40,000
Road and Bridge	0	40,000	40,000	40,000	40,000	0
Total	\$40,000	\$80,000	\$40,000	\$40,000	\$80,000	\$40,000

For FY 2000

<u>Fund</u>	<u>Recorded Advances In</u>	<u>Authorized Advance In</u>	<u>Variance</u>	<u>Recorded Advance Out</u>	<u>Authorized Advance Out</u>	<u>Variance</u>
Zoning	\$11,000	\$0	\$(11,000)			
Fire District				\$11,000	\$0	\$(11,000)

All transfers and advances should be made through a Board resolution, and care should be taken to see that these are properly recorded in the Township's accounting records. The Township has posted adjustments to correct these matters which are also reflected in the financial statements.

Noncompliance Citations (Continued)

FINDING NUMBER 2001-40952-004

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

At December 31 and March 31, 2001, and January 31, 2000, budgetary expenditures exceeded appropriations within the following funds by the following amounts:

Fund	December 31 2001	March 31 2001	January 31 2000
General	\$0	\$69,826	\$3,251
Motor Vehicle	44,175	105	0
Gasoline Tax	0	19,478	0
Road and Bridge	39,085	33,592	4,774
Police	74,799	62,669	6,812
Fire	0	27,499	0
Ambulance and Emergency Service	0	53,389	0

Several of these variances resulted from the Trustees not approving appropriation modifications as disclosed in Finding Number 2001-40952-002. The Board of Trustee should pass, and document in the minutes, a temporary appropriation measure prior to January 1 of each year. In addition, the Trustees and the Clerk should periodically review the Township's appropriations to ensure appropriation amounts are sufficient for expenditures and are within estimated resources. If not, appropriations should be further amended.

FINDING NUMBER 2001-40952-005

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any 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 purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the board of Trustees, if such expenditure is otherwise valid.

Noncompliance Citations (Continued)

**FINDING NUMBER 2001-40952-005
 (Continued)**

During the audit period 2001- 2000, 81 out of 107 expenditures tested (76%) were not certified by the Clerk prior to incurring the obligation, and upon further review, it was noted that none of the expenditures made in 2000 were certified. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Township should certify the availability of funds prior to incurring the obligation for expenditures. The Township should also implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. A similar matter was included in the Township's Schedule of Findings for the period ended December 31, 1999.

FINDING NUMBER 2001-40952-006

Ohio Constitution, Article XII, Section 5a, states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Clerk made investments of pooled cash from various funds, including the Motor Vehicle License Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund, and did not distribute the interest earned in accordance with the above requirements. The Township should have allocated the following amounts:

<u>Funds Entitled to Interest</u>	<u>2000</u>	<u>2001</u>	<u>Total</u>
Motor Vehicle License	\$270	\$0	\$270
Gasoline Tax	1,817	1,963	3,780
Permissive MVL	<u>3,552</u>	<u>3,387</u>	<u>6,939</u>
Total	<u>\$5,639</u>	<u>\$5,350</u>	<u>\$10,989</u>

As a result, revenues were overstated in the General Fund and understated in the Motor Vehicle License Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund. The Township should apportion interest earnings to these funds based on a reasonable determination of its share of the investment pool.

In accordance with the foregoing facts, and pursuant to Ohio Constitution, Article XII, Section 5a, Findings for Adjustment (in the above amounts) for improperly allocating interest are hereby issued against the General Fund and in favor of the Motor Vehicle License Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund.

FINDING NUMBER 2001-40952-007

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, 2000 through December 31, 2001, the Township did not reconcile the balance of the bank and the balance of the cash in the accounting records. At December 31, 2001 and 2000 (prior to audit), there were unreconciled differences of \$15,138 and \$11,712, respectively. The annual reports for fiscal years 2001 and 2000 were filed with the Auditor of State with adjustments to show a reconciled amount which the Township was unable to support.

**FINDING NUMBER 2001-40952-007
(Continued)**

Material Weakness (Continued)

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

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

FINDING NUMBER 2001-40952-008

Material Weakness

During 2001 and 2000, the Clerk failed to deposit monies in the bank in a timely fashion. For example, it was noted during our testing that \$829,058 and \$886,608 of deposits made during 2001 and 2000, respectively, were made more than one month after the monies were received.

By not depositing money with its financial institution on a daily basis, the Township is subjecting these monies to a greater risk that they could be lost or misappropriated. In addition, the Township is reducing its available cash, thus limiting its cash flow which could result in the Township overdrawing its account.

The Township should make daily deposits with its financial institution to limit risk of misappropriation or loss, and to improve cash management.

FINDING NUMBER 2001-40952-009

Reportable Condition

During our testing of cash, we noted that significant accounting errors were made resulting in the Clerk's inability to properly reconcile the Township's records with the bank. The result of these errors was not only the Clerk's inability to reconcile, but also resulted in inaccurate accounting records, which compromised management's ability to make sound financial decisions. Some of the more significant errors were as follows:

- Because deposits were not made on a timely basis, revenue in the amount of \$1,025 was recorded twice in the Township's accounting system for 2000.
- One item recorded as a deposit in transit on the Clerk's reconciliation was, in fact, not a deposit in transit.
- One item recorded as a deposit in transit had been rejected by the bank because the expiration period had passed, and the receipt had been voided in the accounting system.
- The accounting system's investment balances did not agree with the bank balance by an unidentified \$15,138 at December 31, 2001.
- There were two checks in 2001 and one check in 2000 shown as outstanding in the Warrant Register, but which had actually been voided per the check copy.
- The outstanding check list for 2001 included 3 checks, two of which had been voided in the accounting system, and the third check had been replaced by a memo expenditure.

FINDING NUMBER 2001-40952-009

- Check sequences were not consistent, as check numbers 11966 through 11972 and 11974 through 11987 were dated January 15, 2001; however, checks subsequent to these were written in 2000.
- In order to reconcile with the bank, the Clerk made unsupported adjustments of \$10,488 and \$10,156 on her bank reconciliation during 2001 and 2000.
- The system contained record of 110 checks and 76 checks for 2001 and 2000, respectively, which did not agree to the preprinted number on the actual warrants. Though not significant, there were two amounts recorded in the accounting records that did not agree to the printed warrants.

We recommend the following procedures to correct these weaknesses and provide accurate accounting records for management's decision-making:

- Reconciliations should be performed at the beginning of the subsequent month. This can be accomplished by accessing monthly bank statement on line. This will allow the Clerk to reconcile the day following month end.
- Receipts should be dated when received and deposited with the bank to avoid double posting and reduce the possibility of misappropriations. In addition, pre-dating of deposits should be avoided, and deposits in transit should only include those deposits made at the end of the month, but not yet posted by the bank.
- The Clerk should compare the monthly amounts for investments ("secondary accounts") to the bank statements when reconciling, to determine if there are errors in the system. The source of errors and corrections should be investigated and corrected immediately prior to month end closing.
- When a check is voided or replaced by a memo entry, the check must be voided in the system and removed from the outstanding check list. In addition, the hardcopy of the check should be defaced, and if the check is replaced, the replacement check number should be documented.
- If a check has been outstanding over six months, it should be voided and removed from the outstanding checklist, and the monies placed in an Unclaimed Monies account (which may be a restricted account within the General Fund) for a period of five years. If it has not been claimed after a five year period, it should revert to the General Fund unrestricted cash balance.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEAR ENDED DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40952-001	Ohio Admin. Code Section 117-3-05, provides purchase order procedures for Townships. The Township did not use purchase orders.	Partially	The Township instituted a purchase order system; however, we found that some purchase orders were not signed by the trustees and others did not have the certification of funds statement signed by the clerk-treasurer. See management letter comment issued for 2001-2000 audit.
1999-40952-002	Ohio Rev. Code Section 5705.41(D) requires the certification of funds by the fiscal officer prior to the incurrence of an obligation.	No	Repeated citation in the 2001-2000 audit as finding number 2001-40952-005
1999-40952-003	Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.	No	Repeated citation in the 2001-2000 audit as finding number 2001-40952-004
1999-40952-004	Ohio Rev. Code Section 135.18 requires the Township's depository to provide adequate security for funds on deposit at all times.	Yes	Fully corrected.
1999-40952-005	Ohio Revised Code Section 135.14 requires a written investment policy, approved by the Clerk or governing board, and the financial institutions with which the Township has investments.	Partially	Investment policy was approved and signed by the Clerk and Board of Trustees, but was not signed by the financial institutions. See management letter comment to have the investment policy signed by the financial institutions.
1999-40952-007	Material Weakness - Failure to reconcile the balance of the bank and the balance of cash in the accounting records for the entire audit period.	No	Clerk reconciled, but used an unsupported Misc. Adjustment amount to reconcile. Repeated material weakness in the 2001-2000 audit as finding number 2001-40952-007



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 9, 2003**