



**Auditor of State
Betty Montgomery**

LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lafayette Township
Coshocton County
654 East Russell Avenue
West Lafayette, Ohio 43845

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lafayette Township, Coshocton County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lafayette Township, Coshocton County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As described in Note 3, the Township reclassified a Non-Expendable Trust Fund to a Permanent Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006, 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 opine 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2006

**Lafayette Township
Coshocton County**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Lafayette Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities were \$129,185.

The Township's general receipts are primarily property taxes and grants and entitlement. General receipts represent 57 percent of the total cash received for governmental activities during the year. Program specific revenues in the form of operating grants and contributions represent 34 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Lafayette Township
Coshocton County**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the governmental activities include the Township's programs and services, including general government services and road and bridge maintenance.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Township's significant governmental funds are presented on the financial statements in separate columns. The Township's major governmental funds are as follows: General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire District Fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Lafayette Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u> <u>2005</u>
Assets	
Cash and Cash Equivalents	\$ 129,185
Net Assets	
Restricted for:	
Permanent Fund	15,017
Other Purposes	67,198
Unrestricted	<u>46,970</u>
Total Net Assets	<u><u>\$129,185</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Lafayette Township
Coshocton County**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$22,983
Operating Grants and Contributions	90,650
Total Program Receipts	<u>113,633</u>
General Receipts:	
Property and Other Local Taxes	113,810
Grants and Entitlements Not Restricted to Specific Programs	35,406
Interest	596
Miscellaneous	348
Total General Receipts	<u>150,160</u>
Total Receipts	<u>263,793</u>
Disbursements:	
General Government	65,040
Public Safety	7,575
Public Works	143,156
Health	29,528
Capital Outlay	9,990
Total Disbursements	<u>255,289</u>
Increase (Decrease) in Net Assets	8,504
Net Assets, January 1, 2005	<u>120,681</u>
Net Assets, December 31, 2005	<u><u>\$129,185</u></u>

Program receipts represent only 43 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 57 percent of the Township's total receipts, and of this amount, over 76 percent are local taxes. State and federal grants and entitlements make up the majority of the balance of the Township's general receipts (23 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These costs do not represent direct services to residents.

**Lafayette Township
Coshocton County**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Disbursements for Public Safety represent costs associated with providing fire protection services.

Disbursements for Public Works and Capital Outlay are the costs of constructing, maintaining, and repairing Township roads and bridges.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works, which account for 56 percent of all governmental disbursements. General government also represents a significant cost, about 25 percent. The next columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$65,040	(\$65,040)
Public Safety	7,575	(7,575)
Public Works	143,156	(52,506)
Health	29,528	(6,545)
Capital Outlay	9,990	(9,990)
Total Expenses	<u>\$255,289</u>	<u>(\$141,656)</u>

The dependence upon general receipts is apparent as over 55 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$263,793 and disbursements of \$255,289. The greatest change within governmental funds occurred within the Major General Fund.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During 2005, final budgeted receipts for the Township's General Fund were below actual receipts, since actual intergovernmental receipts were higher because of a payment of a 2003 homestead and rollback not received until 2005

Final disbursements were budgeted at \$104,366 while actual disbursements were \$79,721.

**Lafayette Township
Coshocton County**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jim Collins, Clerk, Lafayette Township, 654 East Russell Avenue, West Lafayette, Ohio 43845.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$129,185
Net Assets	
Restricted for:	
Permanent Fund	15,017
Other Purposes	67,198
Unrestricted	<u>46,970</u>
<i>Total Net Assets</i>	<u><u>\$129,185</u></u>

See accompanying notes to the basic financial statements.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Cemetery</u>	<u>Fire District</u>	<u>Cemetery Bequest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets								
Equity in Pooled								
Cash and Cash Equivalents	\$46,970	\$38,204	\$1,343	\$202	\$13,978	\$15,017	\$13,471	\$129,185
Fund Balances								
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	46,970							46,970
Special Revenue Funds		38,204	1,343	202	13,978		13,471	67,198
Permanent Funds						15,017		15,017
<i>Total Fund Balances</i>	<u>\$46,970</u>	<u>\$38,204</u>	<u>\$1,343</u>	<u>\$202</u>	<u>\$13,978</u>	<u>\$15,017</u>	<u>\$13,471</u>	<u>\$129,185</u>

See accompanying notes to the basic financial statements

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax	Road and Bridge	Cemetery	Fire District	Cemetery Bequest	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$68,868		\$35,618		\$9,323			\$113,809
Licenses, Permits and Fees				\$22,983				22,983
Intergovernmental	35,406	\$73,230					\$17,420	126,056
Interest	175	138				\$233	51	597
Other	121						227	348
<i>Total Receipts</i>	<u>104,570</u>	<u>73,368</u>	<u>35,618</u>	<u>22,983</u>	<u>9,323</u>	<u>233</u>	<u>17,698</u>	<u>263,793</u>
Disbursements								
Current:								
General Government	65,041							65,041
Public Safety					7,575			7,575
Public Works	10,078	77,450	36,512				19,115	143,155
Health	4,602			24,926				29,528
Capital Outlay				9,990				9,990
<i>Total Disbursements</i>	<u>79,721</u>	<u>77,450</u>	<u>36,512</u>	<u>34,916</u>	<u>7,575</u>		<u>19,115</u>	<u>255,289</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>24,849</u>	<u>(4,082)</u>	<u>(894)</u>	<u>(11,933)</u>	<u>1,748</u>	<u>233</u>	<u>(1,417)</u>	<u>8,504</u>
<i>Fund Balances Beginning of Year (Restated)</i>	<u>22,121</u>	<u>42,286</u>	<u>2,237</u>	<u>12,135</u>	<u>12,230</u>	<u>14,784</u>	<u>14,888</u>	<u>120,681</u>
<i>Fund Balances End of Year</i>	<u>\$46,970</u>	<u>\$38,204</u>	<u>\$1,343</u>	<u>\$202</u>	<u>\$13,978</u>	<u>\$15,017</u>	<u>\$13,471</u>	<u>\$129,185</u>

See accompanying notes to the basic financial statements

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$77,276	\$77,276	\$68,868	(\$8,408)
Intergovernmental	6,990	13,980	35,406	21,426
Interest	300	300	175	(125)
Other	675	675	121	(554)
<i>Total Receipts</i>	<u>85,241</u>	<u>92,231</u>	<u>104,570</u>	<u>12,339</u>
Disbursements				
Current:				
General Government	75,749	75,866	65,040	10,826
Public Works	18,000	18,000	10,079	7,921
Health	10,500	10,500	4,602	5,898
<i>Total Disbursements</i>	<u>104,249</u>	<u>104,366</u>	<u>79,721</u>	<u>24,645</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,008)</u>	<u>(12,135)</u>	<u>24,849</u>	<u>36,984</u>
<i>Fund Balance Beginning of Year</i>	<u>22,121</u>	<u>22,121</u>	<u>22,121</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,113</u></u>	<u><u>\$9,986</u></u>	<u><u>\$46,970</u></u>	<u><u>\$36,984</u></u>

See accompanying notes to the basic financial statements

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$70,070	\$70,070	\$73,230	\$3,160
Interest			138	138
<i>Total Receipts</i>	<u>70,070</u>	<u>70,070</u>	<u>73,368</u>	<u>3,298</u>
Disbursements				
Current:				
Public Works	<u>111,700</u>	<u>111,794</u>	<u>77,450</u>	<u>34,344</u>
<i>Net Change in Fund Balance</i>	(41,630)	(41,724)	(4,082)	37,642
<i>Fund Balance Beginning of Year</i>	<u>42,286</u>	<u>42,286</u>	<u>42,286</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$656</u></u>	<u><u>\$562</u></u>	<u><u>\$38,204</u></u>	<u><u>\$37,642</u></u>

See accompanying notes to the basic financial statements

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$40,259	\$40,259	\$35,618	(\$4,641)
Miscellaneous	1	1		(1)
<i>Total Receipts</i>	<u>40,260</u>	<u>40,260</u>	<u>35,618</u>	<u>(4,642)</u>
Disbursements				
Current:				
Public Works	42,400	42,400	36,512	5,888
<i>Net Change in Fund Balance</i>	(2,140)	(2,140)	(894)	1,246
<i>Fund Balance Beginning of Year</i>	<u>2,237</u>	<u>2,237</u>	<u>2,237</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$97</u></u>	<u><u>\$97</u></u>	<u><u>\$1,343</u></u>	<u><u>\$1,246</u></u>

See accompanying notes to the basic financial statements

**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Cemetery Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Licenses, Permits & Fees	\$30,000	\$30,000	\$22,983	(\$7,017)
Disbursements				
Current:				
Health	31,500	31,500	24,925	6,575
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>9,990</u>	<u>10</u>
<i>Total Disbursements</i>	41,500	41,500	34,915	6,585
<i>Net Change in Fund Balance</i>	(11,500)	(11,500)	(11,932)	(432)
<i>Fund Balance Beginning of Year</i>	<u>12,135</u>	<u>12,135</u>	<u>12,135</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$635</u></u>	<u><u>\$635</u></u>	<u><u>\$203</u></u>	<u><u>(\$432)</u></u>

See accompanying notes to the basic financial statements

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$10,594	\$10,594	\$9,323	(\$1,271)
Other		1		(1)
<i>Total Receipts</i>	<u>10,594</u>	<u>10,595</u>	<u>9,323</u>	<u>(1,272)</u>
Disbursements				
Current:				
Public Safety	<u>10,000</u>	<u>10,000</u>	<u>7,575</u>	<u>2,425</u>
<i>Net Change in Fund Balance</i>	594	595	1,748	1,153
<i>Fund Balance Beginning of Year</i>	<u>12,230</u>	<u>12,230</u>	<u>12,230</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$12,824</u></u>	<u><u>\$12,825</u></u>	<u><u>\$13,978</u></u>	<u><u>\$1,153</u></u>

See accompanying notes to the basic financial statements

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**LAFAYETTE TOWNSHIP
COSHOCTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

Lafayette Township, Coshocton County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of West Lafayette for fire protection.

B. Component Units

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 organization; 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 support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Lafayette Township has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA). See Note 11.

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

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. All activities of the Township are governmental activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township does not report any business-type activities, which generally are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire District Fund, and Cemetery Bequest Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund is used to account for gasoline tax money which the Township can only use to pay for constructing, maintaining, and repairing Township roads. The Road and Bridge Fund is used to account for tax money which the Township can only use for constructing, maintaining, and repairing Township roads. The Fire District Fund is used to account for tax money which the Township can only use for fire protection services. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$175.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. During 2005, the Township did not report any restricted assets.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. During 2005, the Township did not report any interfund loans.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for taxes or grant requirements.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Additionally, the Non-Expendable Cemetery Bequest Fund has reclassified to a Permanent Fund for financial reporting as follows:

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity (continued)

	Non-Expendable Trust Cemetery Bequest Fund	Permanent Fund
December 31, 2004		
Cash Fund Balance	\$14,784	\$0
Reclass to Permanent Fund	(14,784)	14,784
January 1, 2005		
Cash Fund Balance	\$0	\$14,784

The Non-Expendable Cemetery Bequest Fund was reclassified as a Permanent Fund because the equity in this fund benefits the Township rather than someone external to the Township.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance; however, the Township had no outstanding encumbrances at year-end.

Note 5 – Noncompliance

Contrary to Ohio Revised Code Section 5705.38, the Township Trustees did not formally approve the permanent appropriations.

Contrary to Ohio Revised Code Section 5705.40, the Township amended appropriations without passing a resolution approving the amendments.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
2. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
3. The State Treasurer's investment pool (STAR Ohio).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$38,264 of the Township's bank balance of \$138,264 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities specifically pledged by the financial institution to the Township.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Township had no investments.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 7 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$3.45 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$37,067,180
Other Real	7,071,470
Public Utility Property	
Real	296,270
Personal	2,387,670
Tangible Personal Property	1,686,388
Total Assessed Value	\$48,508,978

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTAMRA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	306,798	Total Coverage

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 – Defined Benefit Pension Plan (continued)

Ohio Public Employees Retirement System (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$9,672, \$9,567, and \$5,377, respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$4,051. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**LAFAYETTE TOWNSHIP
COSHOCKTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 10 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 11 – Public Entity Risk Pool

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**LAFAYETTE TOWNSHIP
COSHOCOTON COUNTY**

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 – Public Entity Risk Pool (continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$7,156.

Note 12 – Related Party Transaction

Current Trustee, Richard Bluck (term began January 1, 2004) is part-owner of Bluck & Sons, a local business owned primarily by Richard Bluck's father. During 2005, Lafayette Township engaged in periodic business with Bluck & Sons. The Township paid Bluck & Sons \$4,060 for various materials and supplies. Check payments to Bluck & Sons during 2005 were signed by the Trustees, including Mr. Bluck. Additionally, the minute records support Mr. Bluck did not abstain from approving monthly bills, which included payments to Bluck & Sons. As a result, Mr. Bluck did not exercise the option of eliminating the use of his authority or influence of office to secure personal gain through the business in which he is part-owner.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lafayette Township
Coshocton County
654 East Russell Avenue
West Lafayette, Ohio 43845

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lafayette Township, Coshocton County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 28, 2006, wherein we noted the Township reclassified a Non-Expendable Trust Fund to a Permanent Fund and the Township revised its financial presentation comparable to the requirements of GASB 34. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 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 management's assertions in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2005-004.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

However, in a separate letter to the Township's management dated June 28, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2005-001 through 2005-003.

In a separate letter to the Township's management dated June 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 28, 2006

LAFAYETTE TOWNSHIP
COSHOCTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

There was no evidence in the minute record to support the Trustee's approval of the 2005 permanent appropriations. However, the township submitted appropriations to the County Budget Commission. As a result, expenditures made during 2005 were not legally expended. The Township should adopt a permanent appropriation measure on or near the first day of the year or pass temporary appropriations until passage of permanent appropriations can be done.

On July 13, 2006, the Township approved the permanent appropriations retroactive to April 2005. (Resolution No. 101).

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. "Transfers" may be made by resolution or ordinance from one appropriation item to another.

The Township amended appropriations without passing a resolution approving the amendments. The Trustees should approve all supplemental appropriations prior to submission to the County Auditor.

On July 13, 2006, the Township approved the permanent appropriations retroactive to April 2005. (Resolution No. 101).

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code Section 102.03(D) states that no public official shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. **Ohio Revised Code Section 2921.42(A)(1)** states no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

**FINDING NUMBER 2005-003
(Continued)**

Noncompliance Citation (Continued)

Current Trustee, Richard Bluck (term began January 1, 2004) is part-owner of Bluck & Sons, a local business owned primarily by Richard Bluck's father. During 2005, Lafayette Township engaged in periodic business with Bluck & Sons. The Township paid Bluck & Sons \$4,060 for various materials and supplies. Check payments to Bluck & Sons during 2005 were signed by the Trustees, including Mr. Bluck. Additionally, the minute records support Mr. Bluck did not abstain from approving monthly bills, which included payments to Bluck & Sons. As a result, Mr. Bluck did not exercise the option of eliminating the use of his authority or influence of office to secure personal gain through the business in which he is part-owner.

This issue will be referred to the Ohio Ethics Commission for whatever action is deemed necessary.

FINDING NUMBER 2005-004

Reportable Condition

Cash Reconciliation/Issuance of Checks

During testing of the Township's cash reconciliations, the following weaknesses were noted:

- During 2005, there were several checks written out of sequential order and the cancelled checks did not agree to the Payment Register during 2005.
- The bank statements were not cut off at the end of each month for certain months in 2005 which caused several reconciling adjustments including deposits in transit and checks being posted as outstanding when the checks had actually cleared the bank in the same month.
- There were several instances where checks were voided and reissued; however, the Uniform Accounting Network (UAN) System was not updated to void the original check and show the reissued check as cleared.
- During the month of April 2005, the Township Clerk posted \$178,390 to the monthly reconciliation rather than \$179,791 for a difference of \$1,401.

To improve controls over monthly bank to book reconciliations, the Township Clerk should perform the following:

- Reconcile all checks written to the payment register. This will help ensure that checks are written in sequential order and will be properly included with the monthly bank to book reconciliations.
- Coordinate with the bank and change the ending date on the bank statement to the last day of each month. This will help eliminate deposits in transit and checks that are posted as outstanding which were actually cleared during the month in which they were written.
- Voided checks should be marked as void in the UAN System and the subsequently reissued check is reported as a valid check in the UAN System.

**FINDING NUMBER 2005-004
(Continued)**

Reportable Condition (Continued)

- Make sure the correct system balances are posted to the monthly bank to book reconciliations. This will help identify unnecessary adjustments that may result from posting the incorrect balances.

By implementing the above recommendations, the Township's accountability over financial transactions and cash reconciliations will be improved.

Officials' Response: We did not receive a response from Officials for the findings reported above.



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LAFAYETTE TOWNSHIP

COSHOCTON 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 5, 2006**