



Dave Yost • Auditor of State

FAYETTE TOWNSHIP
LAWRENCE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fayette Township
Lawrence County
104 Fitzpatrick Street
South Point, Ohio 45680

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Fayette Township, Lawrence County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Fayette Township, Lawrence County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2017

Fayette Township

Lawrence County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$76,254	\$170,583		\$246,837
Licenses, Permits and Fees	53,998			53,998
Intergovernmental	49,392	129,640	42,618	221,650
Earnings on Investments	62	18		80
Miscellaneous	7,970	2,178		10,148
<i>Total Cash Receipts</i>	<u>187,676</u>	<u>302,419</u>	<u>42,618</u>	<u>532,713</u>
Cash Disbursements				
Current:				
General Government	130,589	4,739		135,328
Public Safety		79,752		79,752
Public Works	1,793	86,869		88,662
Conservation-Recreation	30,567			30,567
Capital Outlay	19,800	67,117	42,618	129,535
Debt Service:				
Principal Retirement		57,000		57,000
Interest and Fiscal Charges		2,310		2,310
<i>Total Cash Disbursements</i>	<u>182,749</u>	<u>297,787</u>	<u>42,618</u>	<u>523,154</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,927</u>	<u>4,632</u>	<u>0</u>	<u>9,559</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources - Insurance Recoveries		48,657		48,657
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>48,657</u>	<u>0</u>	<u>48,657</u>
<i>Net Change in Fund Cash Balances</i>	4,927	53,289	0	58,216
<i>Fund Cash Balances, January 1</i>	<u>318,144</u>	<u>515,810</u>	<u>0</u>	<u>833,954</u>
Fund Cash Balances, December 31				
Restricted	0	494,056	0	494,056
Committed	0	75,043	0	75,043
Assigned	302,812	0	0	302,812
Unassigned (Deficit)	20,259	0	0	20,259
<i>Fund Cash Balances, December 31</i>	<u>\$323,071</u>	<u>\$569,099</u>	<u>\$0</u>	<u>\$892,170</u>

See accompanying notes to the basic financial statements

Fayette Township

Lawrence County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$74,321	\$170,524	\$244,845
Licenses, Permits and Fees	55,515		55,515
Intergovernmental	49,918	175,529	225,447
Miscellaneous	2,510	1,930	4,440
<i>Total Cash Receipts</i>	<u>182,264</u>	<u>347,983</u>	<u>530,247</u>
Cash Disbursements			
Current:			
General Government	130,207	7,108	137,315
Public Safety		72,713	72,713
Public Works	3,096	125,410	128,506
Conservation-Recreation	11,876		11,876
Capital Outlay	91,547	98,366	189,913
Debt Service:			
Principal Retirement	11,582	44,318	55,900
Interest and Fiscal Charges	709	2,713	3,422
<i>Total Cash Disbursements</i>	<u>249,017</u>	<u>350,628</u>	<u>599,645</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(66,753)</u>	<u>(2,645)</u>	<u>(69,398)</u>
<i>Fund Cash Balances, January 1</i>	<u>384,897</u>	<u>518,455</u>	<u>903,352</u>
Fund Cash Balances, December 31			
Restricted	0	515,810	515,810
Committed	0	0	0
Assigned	38,967	0	38,967
Unassigned (Deficit)	279,177	0	279,177
<i>Fund Cash Balances, December 31</i>	<u><u>\$318,144</u></u>	<u><u>\$515,810</u></u>	<u><u>\$833,954</u></u>

See accompanying notes to the basic financial statements

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Fayette Township, Lawrence County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Special Levy Fund The special levy fund receives property tax money to provide fire protection for Township residents.

Permissive Motor Vehicle License Tax Fund The permissive motor vehicle license tax fund accounts for and reports that portion of township levied motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Ohio Public Works Commission Project Fund – This fund received receipts and disbursements from Lawrence County on behalf of the Township for the resurfacing of Township roads.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

Deposits and Investments

The Township has one primary checking account. The Township has no investments.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority as follows:

General fund by \$83,314 for the year ended December 31, 2016.
Gasoline Tax fund by \$65,049 for the year ended December 31, 2016.
Special Levy Fire fund by \$96,739 for the year ended December 31, 2016.
Permissive Motor Vehicle License Tax fund by \$11,298 for the year ended December 31, 2016.
Ohio Public Works Fund by \$42,618 for the year ended December 31, 2016.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)**

Note 3 – Compliance (Continued)

General fund by \$181,048 for the year ended December 31, 2015.
 Gasoline Tax fund by \$50,097 for the year ended December 31, 2015.
 Road and Bridge fund by \$248 for the year ended December 31, 2015.
 Permissive Motor Vehicle License Tax fund by \$6,543 for the year ended December 31, 2015.
 FEMA fund by \$29,958 for the year ended December 31, 2015.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,424	\$187,676	\$122,252
Special Revenue	128,739	351,076	222,337
Capital Projects	0	42,618	42,618
Total	\$194,163	\$581,370	\$387,207

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,000	\$184,314	(\$83,314)
Special Revenue	169,400	304,537	(135,137)
Capital Projects	0	42,618	(42,618)
Total	\$270,400	\$531,469	(\$261,069)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,057	\$182,264	\$117,207
Special Revenue	128,933	347,983	219,050
Total	\$193,990	\$530,247	\$336,257

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,360	\$252,408	(\$181,048)
Special Revenue	324,300	354,688	(30,388)
Total	\$395,660	\$607,096	(\$211,436)

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)**

Note 5 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2016</u>	<u>2015</u>
Demand deposits	<u>\$892,170</u>	<u>\$833,954</u>
Total deposits	<u><u>\$892,170</u></u>	<u><u>\$833,954</u></u>

Deposits

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

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Note 7 - Risk Management

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 Township 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)**

Note 7 - Risk Management (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016 and 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2016 and 2015 (the latest information available):

	<u>2015</u>	<u>2016</u>
Assets	\$37,313,311	\$38,473,283
Liabilities	8,418,518	8,244,140
Net Position	\$28,894,793	\$27,057,831

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016 and 2015, respectively, the Township's share of these unpaid claims collectible in future years is approximately \$8,180 and \$9,038.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2016</u>	<u>2015</u>
\$18,177	\$17,052

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)**

Note 7 - Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond	<u>\$58,200</u>	2.00%
Total	<u><u>\$58,200</u></u>	

During 2012, the Township issued Various Purpose Bond Series 2012 in the amount of \$279,679 to refinance prior loans, the proceeds of which were used for the purchase of a fire truck, a water tanker, and a grader. The Township's taxing authority collateralized the bonds. The first payment was due on June 1, 2013 for a period of five years.

FAYETTE TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS DECEMBER 31, 2016 AND 2015
(Continued)

Note 10 – Debt (Continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Bonds
2017	<u>\$59,364</u>
Total	<u><u>\$59,364</u></u>

Note 11 - Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Construction and Contractual Commitments – Encumbrances

Encumbrances outstanding at December 31 may be reported as part of restricted, committed, or assigned classifications of fund balance. At December 31, 2015, the Township's commitments for encumbrances in the General Fund and Special Revenue Funds were \$3,391 and \$4,060, respectively. At December 31, 2016, the Township's commitments for encumbrances in the General Fund and Special Revenue Funds were \$1,565 and \$6,748, respectively.

Note 13 – Subsequent Events

On August 13, 2017, the Township approved to purchase an excavator at a cost of \$70,000.



Dave Yost • Auditor of State

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

Fayette Township
Lawrence County
104 Fitzpatrick Street
South Point, Ohio 45680

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Fayette Township, Lawrence County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated December 22, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-002 and 2016-003 to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Official's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2017

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated.

At December 31, 2016, expenditures plus contractual commitments exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Dollar Variance
General Fund	\$101,000	\$184,314	(\$83,314)
Gasoline Tax Fund	\$42,000	\$107,049	(\$65,049)
Special Levy-Fire	\$46,400	\$143,139	(\$96,739)
Permissive Motor Vehicle License Tax Fund	\$10,000	\$ 21,298	(\$11,298)
Ohio Public Works Fund	\$0	\$42,618	(\$42,618)

At December 31, 2015, expenditures plus contractual commitments exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Dollar Variance
General Fund	\$71,360	\$252,408	(\$181,048)
Gasoline Tax Fund	\$20,800	\$70,897	(\$50,097)
Road & Bridge Fund	\$38,000	\$38,248	(\$248)
Permissive Motor Vehicle License Tax Fund	\$40,000	\$46,543	(\$6,543)
FEMA Fund	\$25,000	\$54,958	(\$29,958)

This could result in overspending if not properly monitored.

We recommend the Township Fiscal Officer monitor budget versus actual expenditures throughout the year to ensure appropriations are not exceeded. If it is determined that appropriations will be exceeded, either expenditures should be decreased to stay within appropriations or amended appropriations should be approved by the Board of Trustees. Any amendments should be filed with the County Auditor to certify whether appropriations exceed estimated resources.

Officials' Response:

We will strive to correct this item for future audits. The Board of Township Trustees will approve all amendments to appropriations and the Township Fiscal Officer will file all amendments with the County Auditor's Office.

FINDING NUMBER 2016-002

Material Weakness

The Township utilizes the Uniform Accounting Network (UAN) Accounting System which includes a monthly reconciliation process to assist the Township Fiscal Officer in the monthly book to bank reconciliation. Although the monthly reconciliations were performed in the accounting system, reconciliations were not accurate during 2016 and 2015.

**FINDING NUMBER 2016-002
(Continued)**

We identified the following conditions related to the December 2016 and 2015 year-end reconciliations:

- The outstanding check listing maintained by the Township Fiscal Officer was inaccurate. Certain checks the Township indicated as cleared in the system had not cleared the bank account.
- Interest revenue for several months of the audit period totaling \$31 related to the Township's bank account was not recorded during the audit period.
- Certain revenue amounts recorded in the accounting system were different than amounts deposited into the bank account. In 2015, this resulted in unrecorded net revenue of \$29 and in 2016 unrecorded net revenue of \$280.
- Withholding payments for retirement and tax payments were recorded in the accounting system for amounts which were different than the amounts which cleared the bank account.
- The Township Fiscal Officer posted both a receipt and a Fund Balance adjustment for the amount of \$1,757 for a reimbursement payment received by the Township from a Township Trustee. This caused the fund balance to be overstated by this amount.
- The Township Fiscal Officer had unrecorded revenues from the withholding of an insurance reimbursement of a Trustees salary in the amount of \$2,379 in 2016.
- The Township Fiscal Officer did not record ACH payments in relation to Medibank payments in the amount of \$648 in 2016.

These conditions not only increase the likelihood of accounting errors, but increase the risk that fraud or theft may occur and not be detected. Also, increased audit fees were incurred due to proof of cash procedures being required to be performed to identify reconciling items and differences. The Township adjusted the financial statements and accounting records to correct these errors.

As a result, we make the following recommendations:

- We recommend that accurate reconciliations of the Township's bank account be performed by the Township Fiscal Officer on a monthly basis. Any reconciling items should be documented and investigated to prevent unnecessary fund balance adjustments and unsupported adjustments from being recorded.
- We recommend the Township Fiscal Officer maintain accurate listings of outstanding checks and deposits and to follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Township for outstanding deposits, outstanding deposits are properly supported, and outstanding checks are voided and paid into an unclaimed monies fund or reissued.
- We recommend that the monthly bank reconciliations be reviewed and approved by the Board of Trustees as part of their monthly board meetings and signed or initialed by the Township Trustees to evidence their review and approval.

Officials' Response:

We will strive to correct this item for future audits. The Township Fiscal Officer will reconcile monthly and investigate all reconciling items to avoid having other adjusting factors in reconciliations.

FINDING NUMBER 2016-003

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Sound financial reporting is the responsibility of the Township Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

The Township misclassified and misposted various revenues and expenditures to the annual financial report submitted to the Auditor of State for fiscal years 2016 and 2015. These misstatements had the following effect on the Township's financial statements:

On the December 31, 2016 Financial Statement:

- General Fund fund balance classifications were improperly reported. The Assigned balance was understated by \$302,812, the Unassigned Fund Balance was understated by \$20,219 and Restricted Fund balance was overstated by \$323,031.
- General Fund Conservation and Recreation expenditures were overstated by \$9,763. General Government expenditures were understated by this amount as well.
- General Fund Tax Revenues were overstated by \$10,744. Intergovernmental Revenues were understated by this amount as well.
- General Fund Tax Revenues were overstated by \$13,776. Licenses, Permit, and Fee Revenues were understated by this amount as well.
- General Fund Miscellaneous Revenues were overstated by \$20,538. Intergovernmental Revenues were understated by this amount as well.
- Ohio Public Works Commission Capital Project fund Intergovernmental Revenue was understated by \$42,618. Offsetting capital outlay expenditures were also understated. This was due to the Township not posting on behalf of payments they received from the County.
- Road and Bridge Fund fund balance classifications were improperly reported. The Committed balance was understated by \$75,073. The Restricted Fund balance was overstated by this amount as well.
- Motor Vehicle License Fund Public Works expenditures were overstated by \$21,298. Capital Outlay expenditures were understated by this amount as well.
- Gasoline Tax Fund Public Works expenditures were overstated by \$45,819. Capital Outlay expenditures were understated by this amount as well.
- Road and Bridge Fund Tax Revenues were overstated by \$4,259. Intergovernmental Revenues were understated by this amount as well.
- Special Levy Fire Fund Tax Revenues were overstated by \$13,458. Intergovernmental Revenues were understated by this amount as well.

FINDING NUMBER 2016-003
(Continued)

- Gasoline Tax Fund Intergovernmental Revenues were overstated by \$23,000. Insurance Reimbursement Revenues were understated by this amount as well.
- Gasoline Tax Fund Miscellaneous Revenues were overstated by \$25,657. Insurance Reimbursement Revenues were understated by this amount as well.

On the December 31, 2015 Financial Statement:

- General Fund fund balance classifications were improperly reported. The Assigned balance was understated by \$38,967, the Unassigned Fund Balance was understated by \$278,009 and Restricted Fund balance was overstated by \$316,976.
- General Fund Public Works expenditures were overstated by \$18,033. Capital Outlay expenditures were understated by this amount as well.
- General Fund General Government expenditures were overstated by \$60,414. Capital Outlay expenditures were understated by this amount as well.
- General Fund Conservation and Recreation expenditures were overstated by \$9,762. General Government expenditures were understated by this amount as well.
- General Fund Tax Revenues were overstated by \$11,541. Intergovernmental Revenues were understated by this amount as well.
- General Fund Tax Revenues were overstated by \$14,480. Licenses, Permit, and Fee Revenues were understated by this amount as well.
- Road and Bridge Fund fund balance classifications were improperly reported. The Committed balance was understated by \$66,405. The Restricted Fund balance was overstated by this amount as well.
- Permissive Motor Vehicle License Tax Fund Tax Revenues were overstated by \$29,986. Public Works expenditures were understated by this amount as well.
- FEMA Fund Public Safety Expenditures were overstated by \$15,877. Capital Outlay expenditures were understated by this amount as well.
- Permissive Motor Vehicle License Tax Fund Public Works expenditures were overstated by \$44,266. Capital Outlay expenditures were understated by this amount as well.
- Special Levy Fire Fund Public Safety Expenditures were overstated by \$44,318. Principal debt payments were understated by this amount as well.
- Road and Bridge Fund Tax Revenues were overstated by \$4,759. Intergovernmental Revenues were understated by this amount as well.
- Special Levy Fire Fund Tax Revenues were overstated by \$16,691. Intergovernmental Revenues were understated by this amount as well.

**FINDING NUMBER 2016-003
(Continued)**

This resulted in audit adjustments and reclassifications to the financial statements. Any fund balance adjustments have been posted to the Township's accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Township Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

We also recommend the Township Fiscal Officer take due care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

Officials' Response:

We will strive to correct this item for future audits. We will review the Ohio Township Handbook to determine proper posting of receipts and expenditures.

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**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code Section 5705.41(B)- Expenditures exceeding Appropriations	Not Corrected	Accounting system did not reflect proper amounts for proper monitoring.
2014-002	Material Weakness : Not properly reconciling cash	Not Corrected	Unable to determine sources of variances.
2014-003	Material Weakness : Sound Financial Reporting	Not Corrected	Unaware of errors.

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Dave Yost • Auditor of State

FAYETTE TOWNSHIP

LAWRENCE 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 16, 2018