



OHIO AUDITOR OF STATE
KEITH FABER



FAYETTE TOWNSHIP
LAWRENCE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Fayette Township, Lawrence County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. Also, as discussed in Note 14 of the 2021 financial statements, the Township posted corrections for prior year adjustments that resulted in a restatement to fund balance at January 1, 2021. We did not modify our opinion regarding these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Keith Faber
Auditor of State
Columbus, Ohio
August 16, 2023

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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, 2022*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$97,865	\$293,962		\$391,827
Licenses, Permits and Fees	61,370	23,308		84,678
Intergovernmental	27,995	441,891	48,141	518,027
Miscellaneous	45,668	31,378		77,046
<i>Total Cash Receipts</i>	<u>232,898</u>	<u>790,539</u>	<u>48,141</u>	<u>1,071,578</u>
Cash Disbursements				
Current:				
General Government	159,068	6,695		165,763
Public Safety		265,537		265,537
Public Works	16,503	240,139		256,642
Capital Outlay		79,641	48,141	127,782
Debt Service:				
Principal Retirement	15,600	41,800		57,400
Interest and Fiscal Charges	1,645	2,011		3,656
<i>Total Cash Disbursements</i>	<u>192,816</u>	<u>635,823</u>	<u>48,141</u>	<u>876,780</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,082</u>	<u>154,716</u>	<u>0</u>	<u>194,798</u>
Other Financing Receipts (Disbursements)				
Transfers In		604		604
Transfers Out		(604)		(604)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	40,082	154,716	0	194,798
<i>Fund Cash Balances, January 1</i>	<u>84,595</u>	<u>821,854</u>	<u>0</u>	<u>906,449</u>
<i>Fund Cash Balances, December 31</i>	<u>\$124,677</u>	<u>\$976,570</u>		<u>\$1,101,247</u>

See accompanying notes to the basic financial statements

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Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 general government services, road and bridge maintenance and fire protection.

Public Entity Risk Pool

The Township participates in a public entity risk pool, the Ohio Township Association of Risk Management Authority (OTARMA), a risk-sharing pool available to 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 gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports fees restricted for maintenance and repair of roads within the Township.

Special Levy Fire Fund This fund receives property tax money for fire protection for Township residents.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 (OPWC) Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

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 (C). 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 (C) 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year

A summary of 2022 budgetary activity appears in Note 4.

Deposits

The Township only had deposits during the year. This was a checking account and was reported on a cash basis.

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.

Fund Balance

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2022:

Fund	Appropriations	Expenditures	Variance
General	\$69,692	\$198,120	(\$128,428)
Motor Vehicle License	\$10,000	\$14,817	(\$4,817)
Gasoline Tax	\$71,863	\$129,397	(\$57,534)
Road & Bridge	\$10,000	\$58,653	(\$48,653)
Special Levy Fire Fund	\$33,137	\$287,094	(\$253,957)
Permissive Motor Vehicle Tax Fund	\$35,000	\$54,780	(\$19,780)

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,793	\$232,898	\$146,105
Special Revenue	249,544	791,143	541,599
Capital Projects	0	48,141	48,141
Total	\$336,337	\$1,072,182	\$735,845

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,692	\$198,120	(\$128,428)
Special Revenue	306,364	678,515	(372,151)
Capital Projects	48,141	48,141	0
Total	\$424,197	\$924,776	(\$500,579)

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit account is as follows:

	2022
<i>Cash Management Pool:</i>	
Demand deposits	\$1,101,247

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s Policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2022.

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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 10 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
2018 Bonds	\$177,183	3.00%
2019 Bonds	\$32,800	3.40%
2021 Bonds	\$85,700	1.70%
Total	\$295,683	

In 2018, the Township issued general obligation bonds to finance the purchase of fire equipment needed by Township’s Fire Department. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on April 1, 2019 for a period of five years.

In 2019, the Township issued general obligation bonds to finance the purchase of a tractor. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on July 1, 2020 for a period of five years.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

In 2021, the Township issued general obligation bonds to finance the purchase of a rescue truck. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on May 1, 2022 for a period of three years.

Amortization

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

Year Ending December 31:	2018 General Obligation Bonds	2019 General Obligation Bonds	2021 General Obligation Bonds
2023	\$182,497	\$17,215	\$43,957
2024	0	17,268	43,934
Total	\$182,497	\$34,483	\$87,891

Note 11 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.

Note 12 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	5,303	42,088	47,391

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2022

permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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, 2021

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$100,026	\$291,700		\$391,726
Licenses, Permits and Fees	64,217			64,217
Intergovernmental	23,530	439,394	51,644	514,568
Miscellaneous	4,571	37,048		41,619
<i>Total Cash Receipts</i>	<u>192,344</u>	<u>768,142</u>	<u>51,644</u>	<u>1,012,130</u>
Cash Disbursements				
Current:				
General Government	206,708	3,784		210,492
Public Safety		347,287		347,287
Public Works	156	317,209		317,365
Other	2,206			2,206
Capital Outlay		191,002	51,644	242,646
Debt Service:				
Principal Retirement	15,000	25,819		40,819
Interest and Fiscal Charges	2,156	6,888		9,044
<i>Total Cash Disbursements</i>	<u>226,226</u>	<u>891,989</u>	<u>51,644</u>	<u>1,169,859</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,882)</u>	<u>(123,847)</u>	<u>0</u>	<u>(157,729)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds		127,500		127,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>127,500</u>	<u>0</u>	<u>127,500</u>
<i>Net Change in Fund Cash Balances</i>	<u>(33,882)</u>	<u>3,653</u>	<u>0</u>	<u>(30,229)</u>
<i>Fund Cash Balances, January 1 (Restated, see note 14)</i>	<u>118,477</u>	<u>818,201</u>	<u>0</u>	<u>936,678</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$84,595</u></u>	<u><u>\$821,854</u></u>	<u><u>\$0</u></u>	<u><u>\$906,449</u></u>

See accompanying notes to the basic financial statements

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Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 general government services, road and bridge maintenance and fire protection.

Public Entity Risk Pool

The Township participates in a public entity risk pool. This organization is the Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all townships for property and casualty insurance coverage. Note 6 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:

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

Road & Bridge Fund The road & bridge fund accounts for and reports real estate taxes restricted for maintenance and repair of roads within the Township.

Special Levy Fire Fund The fund receives property tax money for fire protection for the Township residents.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Coronavirus Relief Fund The Coronavirus Relief fund is restricted by governmental guidelines to assist the Township through a pandemic.

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 (OPWC) Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

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 (C). 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 (C) 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled and reappropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 3.

Deposits

The Township only had deposits during the year. This was a checking account and was reported on a cash basis.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,608	\$192,344	\$110,736
Special Revenue	226,683	895,642	668,959
Capital Projects	0	51,644	51,644
Total	\$308,291	\$1,139,630	\$831,339

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,247	\$233,018	(\$162,771)
Special Revenue	425,211	948,246	(523,035)
Capital Projects	51,644	51,644	0
Total	\$547,102	\$1,232,908	(\$685,806)

Note 4 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit account is as follows:

	2021
Demand deposits	\$906,449

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s Policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2021.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
2017 Series Bond	\$14,700	2.45%
2018 Bonds	\$203,776	3.00%
2019 Bonds	\$48,400	3.40%
2021 Bonds	\$127,500	1.70%
Total	\$394,376	

In 2017, the Township issued general obligation bonds to finance the purchase of equipment needed by Township. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on August 1, 2018 for a period of five years.

In 2018, the Township issued general obligation bonds to finance the purchase of fire equipment needed by Township’s Fire Department. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on April 1, 2019 for a period of five years.

In 2019, the Township issued general obligation bonds to finance the purchase of a tractor. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on July 1, 2020 for a period of five years.

In 2021, the Township issued general obligation bonds to finance the purchase of a rescue truck. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on May 1, 2022 for a period of three years.

Amortization

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

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Year Ending December 31:	2017	2018	2019 General Obligation Bonds	2021
	General Obligation Bonds	General Obligation Bonds		General Obligation Bonds
2022	\$15,060	\$32,707	\$17,246	\$43,811
2023	0	182,497	17,215	43,957
2024	0	0	17,268	43,934
Total	\$15,060	\$215,204	\$51,729	\$131,702

Note 10 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	6,792	56,257	63,049

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12– Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2021:

Fund	Appropriations	Expenditures	Variance
General	\$70,247	\$233,018	(\$162,771)
Motor Vehicle License	\$11,383	\$16,267	(\$4,884)
Gasoline Tax	\$51,458	\$237,953	(\$186,495)
Road & Bridge	\$15,000	\$24,862	(\$9,862)
Special Levy Fire Fund	\$63,616	\$356,901	(\$293,285)
Permissive Motor Vehicle Tax Fund	\$35,000	\$66,705	(\$31,705)

In addition to this, the Township was also in violation of Ohio Law pertaining to allowable transfers. They made transfers from restricted Special Revenue Funds back to the General Fund which was not allowable.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

In 2021, the Township received \$113,353 in Coronavirus Relief Funds and \$281,250 in State and Local Fiscal Recovery Funds.

Note 14 – Restatement of Fund Equity

For 2021, there were corrections made to cash basis figures to correct mispostings in previous years that did effect beginning cash balances. They were as follows:

	General Fund	Special Revenue Fund Type	Total
Fund Balance as of December 31, 2020:	\$93,633	\$815,501	\$909,134
Adjustments:			
FEMA Adjustment for prior year's activity	24,844	(24,844)	\$0
2020 Voided Check		27,544	\$27,544
Adjusted Fund Balance as of December 31, 2020:	\$118,477	\$818,201	\$936,678

OHIO AUDITOR OF STATE KEITH FABER



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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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Fayette Township, Lawrence County, Ohio (the Township) and have issued our report thereon dated August 16, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township. We also noted the Township restated beginning balance as of January 1, 2021 for prior year adjustments.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 thru 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2022-004 and 2022-005.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
August 16, 2023

FAYETTE TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-001

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Township Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared accurately for each month of 2022 and 2021. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. We identified the following conditions related to the 2022 and 2021 reconciliations:

In 2021:

- A Local Government Receipt of \$3,209 was deposited into the bank account but not posted to the UAN system.
- A Gasoline Tax Receipt of \$12,188 was deposited into the bank account but not posted to the UAN system.
- A 2019 check for \$27,544 should have been voided in the system by the Township Fiscal Officer; however, he did not properly void it which caused an error in fund balance.
- A check for \$6,890 from the Fire Fund was indicated as cleared in the UAN system but never cleared the bank account.
- A check for \$6,494 from the Road and Bridge Fund was indicated as cleared in the UAN system but never cleared the bank account.
- A check for \$6,768 from the Motor Vehicle License Tax Fund was indicated as cleared in the UAN system but never cleared the bank account.

In 2022:

- Local Government Receipts totaling \$5,394 were deposited into the bank account but not posted to the UAN system.
- A check for \$7,618 from the General Fund was indicated as voided in the UAN system but cleared the bank account.

**FINDING NUMBER 2022-001
(Continued)**

- A Road and Bridge Receipt of \$2,093 was deposited into the bank account but not posted to the UAN system.
- A Fire Receipt of \$4,037 was deposited into the bank account but not posted to the UAN system.
- A Permissive Motor Vehicle Tax Receipt of \$3,303 was deposited into the bank account but not posted to the UAN system.

In addition to the specific items identified above, the following items were noted in varying amounts that did not net out to any type of material adjustment, but they did cause the system to be out of balance with the bank:

- Numerous checks were identified that were either incorrectly voided or cleared in the UAN system.
- The outstanding check listing maintained by the Township Fiscal Officer was inaccurate.
- Certain revenue amounts recorded in the accounting system were different amounts than what was deposited into the bank account or were not recorded at all.
- 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 should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected in a timely manner. In addition, the Board of Trustees should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

FINDING NUMBER 2022-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in internal control related to financial reporting, the Township misclassified and mis-posted various receipts and disbursements in the annual financial report submitted to the Auditor of State for fiscal years 2022 and 2021. These misstatements had the following effect on the Township's financial statements:

December 31, 2022 Financial Statements:

- A General Fund debt payment of \$17,245 was posted as General Government; instead of, Principal and Interest.
- An Ohio Public Works on behalf of grant and related payment were not recorded. This caused the Capital Projects Fund Intergovernmental Receipts and Capital Outlay Disbursements to be understated by \$48,141.

FINDING NUMBER 2022-002
(Continued)

December 31, 2021 Financial Statements:

- Road and Bridge Property Tax Receipts were incorrectly posted to the General Fund. This caused the General Fund Miscellaneous Receipts to be overstated and the Road and Bridge Property Tax Receipts to be understated by \$18,792.
- An Ohio Public Works on behalf of grant and related payment were not recorded. This caused the Capital Projects Fund Intergovernmental Receipts and Capital Outlay Disbursements to be understated by \$51,644.
- The Township improperly recorded the reallocation of COVID-19 funds from the restricted Special Revenue Fund to the General Fund. The Township posted this as a transfer in UAN causing the General Fund Transfer In and the Coronavirus Relief Fund Transfers Out to be overstated by \$14,076. (A noncompliance citation is reported as Finding Number 2022-004.)
- The Township improperly recorded the reallocation of prior year FEMA funds from the restricted Special Revenue Fund to the General Fund. The Township posted this as a transfer in UAN causing the General Fund Transfer In and the FEMA Fund Transfers Out to be overstated by \$24,844. (A noncompliance citation is reported as Finding Number 2022-004.)
- A Fire Levy Fund Property Tax receipt of \$85,353 was recorded as Intergovernmental instead of Property Taxes.
- A Fire Levy Fund Sale of Bonds receipt of \$127,500 was recorded as Miscellaneous instead of Sale of Bonds.
- Coronavirus Relief Funds, in the amount of \$111,258, were paid out and then refunded back to the Township overstating Public Safety disbursements and Intergovernmental Receipts by \$111,258.
- A Fire Levy Fund expenditure, in the amount of \$127,500, was recorded as Public Service instead of Capital Outlay.

The Township has adjusted the financial statements and accounting system, where appropriate to correct these errors.

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 refer to the Ohio Township Handbook and also take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Township's receipts and disbursement.

FINDING NUMBER 2022-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**FINDING NUMBER 2022-003
(Continued)**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Variances between approved budgetary appropriation amounts and amounts recorded in the Uniform Accounting Network (UAN) system at December 31, 2022 were as follows:

Fund:	Approved Appropriations	Appropriations in UAN System	Difference
General Fund (#1000)	\$62,900	\$240,125	(\$177,225)
Motor Vehicle License Fund (#2011)	\$10,000	\$34,000	(\$24,000)
Gasoline Tax Fund (#2021)	\$30,000	\$133,125	(\$103,125)
Road & Bridge Fund (#2031)	\$10,000	\$76,500	(\$66,500)
Special Levy Fund (#2191)	\$30,000	\$358,600	(\$328,600)
Permissive Motor Vehicle Tax Fund (#2231)	\$35,000	\$55,000	(\$20,000)
Coronavirus Relief Fund (#2273)	\$30,000	\$30,695	(\$695)
American Rescue Plan Act Fund (#2274)	\$0	\$435,496	(\$435,496)

Variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2022 were as follows:

Fund:	Amended Official Estimated Receipts	Estimated Receipts in UAN System	Difference
General Fund (#1000)	\$86,793	\$144,081	(\$57,288)
Motor Vehicle License Fund (#2011)	\$0	\$34,000	(\$34,000)
Gasoline Tax Fund (#2021)	\$0	\$136,561	(\$136,561)
Road & Bridge Fund (#2031)	\$35,651	\$34,000	\$1,651
Special Levy Fund (#2191)	\$213,893	\$45,000	\$168,893
Permissive Motor Vehicle Tax Fund (#2231)	\$0	\$77,000	(\$77,000)
Coronavirus Relief Fund (#2273)	\$0	\$30,070	(\$30,070)
American Rescue Plan Act Fund (#2274)	\$0	\$217,748	(\$217,748)

Variances between approved budgetary appropriation amounts and amounts recorded in the UAN system at December 31, 2021 were as follows:

**FINDING NUMBER 2022-003
(Continued)**

Fund:	Approved Appropriations	Appropriations in UAN System	Difference
General Fund (#1000)	\$39,410	\$258,983	(\$219,573)
Motor Vehicle License Fund (#2011)	\$10,000	\$30,000	(\$20,000)
Gasoline Tax Fund (#2021)	\$33,000	\$366,800	(\$333,800)
Road & Bridge Fund (#2031)	\$15,000	\$52,000	(\$37,000)
Special Levy Fire Fund (#2191)	\$25,500	\$134,625	(\$109,125)
Permissive Motor Vehicle Tax Fund (#2231)	\$35,000	\$145,050	(\$110,050)
CARES ACT Fund (#2273)	\$164,258	\$328,308	(\$164,050)
American Rescue Plan Act Fund (#2274)	\$0	\$100,000	(\$100,000)
FEMA Fund (#2901)	\$0	\$24,844	(\$24,844)

Variations between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2021 were as follows:

Fund:	Amended Official Estimated Receipts	Estimated Receipts in UAN System	Difference
General Fund (#1000)	\$81,608	\$184,100	(\$102,492)
Gasoline Tax Fund (#2021)	\$0	\$275,000	(\$275,000)
Road & Bridge Fund (#2031)	\$32,748	\$108,000	(\$75,252)
Special Levy Fire Fund (#2191)	\$193,935	\$211,000	(\$17,065)
Permissive Motor Vehicle Tax Fund (#2231)	\$0	\$190,000	(\$190,000)
CARES ACT Fund (#2273)	\$0	\$379,600	(\$379,600)
American Rescue Plan Act Fund (#2274)	\$0	\$330,390	(\$330,390)
FEMA Fund (#2901)	\$0	\$24,844	(\$24,844)

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations approved by Board were not properly posted to the accounting system. Additionally, the estimated receipts from the approved Amended Certificate of Estimated Resources was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the footnotes.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2022-004

Noncompliance

Ohio Rev. Code §§ 5705.14-16 state no transfer can be made from one fund of a subdivision to any other fund, unless it meets one of the exceptions as outlined within these sections.

**FINDING NUMBER 2022-004
(Continued)**

In 2021, the Township transferred \$24,844 from the FEMA Fund (2901) to the General Fund (1000) and \$14,076 from the Coronavirus Relief Fund (2273) to the General Fund (1000). Although the transfer associated with the FEMA Fund were for allowable costs for this grant, it was not allowable to post these reimbursements as transfers. The Coronavirus Relief Fund transfer of \$14,076 was not found to be for an allowable cost. The Township intended the transfer to the General Fund from the Coronavirus Relief Fund to cover costs associated with handing out food; however, the costs associated with this activity was not enough to use all the grant funding they received. As a result, they had excess funds left from the Coronavirus Relief funding that they could not find an appropriate use for, which they transferred to the General Fund.

These issues resulted in noncompliance with the aforementioned sections of the Ohio Rev. Code. (The posting of these transfers are also noted in the Material Weakness reported as Finding Number 2022-002.) Failure to properly account for transfers and reimbursements could result in the financial statements being misleading to the users of the financial statements.

We recommend the Township follow all guidance provided by the US Treasury and Auditor of State's office for how to properly reallocate funding if allowable to another fund.

FINDING NUMBER 2022-005

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township had expenditures in excess of appropriations in the following funds at December 31, 2022:

Fund:	Appropriation Authority	Total Budgetary Expenditures	Difference
General Fund (#1000)	\$69,692	\$198,120	(\$128,428)
Motor Vehicle License Fund (#2011)	\$10,000	\$14,817	(\$4,817)
Gasoline Tax Fund (#2021)	\$71,863	\$129,397	(\$57,534)
Road & Bridge Fund (#2031)	\$10,000	\$58,653	(\$48,653)
Special Levy Fund (#2191)	\$33,137	\$287,094	(\$253,957)
Permissive Motor Vehicle Tax Fund (#2231)	\$35,000	\$54,780	(\$19,780)

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township had expenditures in excess of appropriations in the following funds at December 31, 2021:

Fund:	Appropriation Authority	Total Budgetary Expenditures	Difference
General Fund (#1000)	\$70,247	\$233,018	(\$162,771)
Motor Vehicle License Fund (#2011)	\$11,383	\$16,267	(\$4,884)
Gasoline Tax Fund (#2021)	\$51,458	\$237,953	(\$186,495)
Road & Bridge Fund (#2031)	\$15,000	\$24,862	(\$9,862)
Special Levy Fund (#2191)	\$63,616	\$356,901	(\$293,285)
Permissive Motor Vehicle Tax Fund (#2231)	\$35,000	\$66,705	(\$31,705)

**FINDING NUMBER 2022-005
(Continued)**

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

We did not receive a response from Officials to findings reported above.

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**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Finding for Recovery Repaid During Audit – Ohio Rev. Code § 505.24	Fully Corrected.	
2020-002	Finding for Recovery Repaid During Audit – Ohio Rev. Code § 505.24	Fully Corrected.	
2020-003	Finding for Recovery Repaid During Audit – Ohio Rev. Code § 507.09	Fully Corrected.	
2020-004	Finding for Recovery Repaid During Audit – Ohio Rev. Code § 505.60	Fully Corrected.	
2020-005	Finding for Recovery Repaid During Audit – Ohio Rev. Code § 505.60	Fully Corrected.	
2020-006	Noncompliance Citation – Ohio Rev. Code § 505.60 Insurance Reimbursement	Fully Corrected.	
2020-007	Noncompliance Citation – Ohio Rev. Code § 5705.39 , Appropriations Exceed Est. Resources	Fully Corrected.	
2020-008	Bank Reconciliation	Not Corrected	Reissued as Finding Number 2022-001.
2020-009	Sound Financial Reporting	Not Corrected	Reissued as Finding Number 2022-002.
2020-010	Budgetary System	Not Corrected	Reissued as Finding Number 2022-003.

OHIO AUDITOR OF STATE KEITH FABER



FAYETTE TOWNSHIP

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/5/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov