



**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

FAYETTE TOWNSHIP
LAWRENCE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Corrective Action Plan	14

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REPORT OF INDEPENDENT ACCOUNTANTS

Fayette Township
Lawrence County
114 Lea Street
South Point, Ohio 45680

To the Board of Trustees:

We have audited the accompanying financial statement of Fayette Township, Lawrence County, Ohio (the Township) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above presents fairly, in all material respects, the combined fund cash balances of Fayette Township, Lawrence County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

April 10, 2001

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**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 47,197	\$ 159,616	\$ 206,813
Intergovernmental	78,562	104,547	183,109
Interest	4,784	3,164	7,948
Other Revenue	308		308
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	130,851	267,327	398,178
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	72,694		72,694
Public Safety		100,294	100,294
Public Works	2,150	86,868	89,018
Debt Service:			
Redemption of Principal	21,718	10,842	32,560
Interest and Fiscal Charges	2,906	589	3,495
Capital Outlay	52,799	27,629	80,428
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	152,267	226,222	378,489
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(21,416)	41,105	19,689
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Proceeds from Note	21,500		21,500
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	21,500	0	21,500
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	84	41,105	41,189
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	80,517	129,087	209,604
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 80,601</u>	<u>\$ 170,192</u>	<u>\$ 250,793</u>

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

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 46,610	\$ 154,932	\$ 201,542
Intergovernmental	52,461	77,396	129,857
Interest	5,098	2,478	7,576
Other Revenue	11,844	7,394	19,238
	<u>116,013</u>	<u>242,200</u>	<u>358,213</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	71,163		71,163
Public Safety		154,292	154,292
Public Works	1,271	80,764	82,035
Conservation-Recreation	12,470		12,470
Debt Service:			
Redemption of Principal	4,068	10,238	14,306
Interest and Fiscal Charges	1,086	1,244	2,330
Capital Outlay	80,770		80,770
	<u>170,828</u>	<u>246,538</u>	<u>417,366</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(54,815)</u>	<u>(4,338)</u>	<u>(59,153)</u>
Other Financing Receipts:			
Proceeds from Note	34,612		34,612
Sale of Fixed Assets	1,500		1,500
	<u>36,112</u>	<u>0</u>	<u>36,112</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(18,703)</u>	<u>(4,338)</u>	<u>(23,041)</u>
Fund Cash Balances, January 1	<u>99,220</u>	<u>133,425</u>	<u>232,645</u>
Fund Cash Balances, December 31	<u>\$ 80,517</u>	<u>\$ 129,087</u>	<u>\$ 209,604</u>

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

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Fayette Township, Lawrence County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Township Clerk. The Township provides general governmental services, including road and bridge maintenance and fire protection.

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

B. Basis of Accounting

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

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

C. Cash

The Township had no investments during the audit period.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Special Levy Fund - This fund receives property tax money to provide fire protection through contracts with other governmental entities.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$250,793</u>	<u>\$209,604</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 158,241	\$ 152,351	\$ (5,890)
Special Revenue	<u>285,055</u>	<u>267,327</u>	<u>(17,728)</u>
Total	<u>\$ 443,296</u>	<u>\$ 419,678</u>	<u>\$ (23,618)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 238,758	\$ 152,267	\$ 86,491
Special Revenue	<u>414,142</u>	<u>226,222</u>	<u>187,920</u>
Total	<u>\$ 652,900</u>	<u>\$ 378,489</u>	<u>\$ 274,411</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 151,739	\$ 152,125	\$ 386
Special Revenue	<u>256,395</u>	<u>242,200</u>	<u>(14,195)</u>
Total	<u>\$ 408,134</u>	<u>\$ 394,325</u>	<u>\$ (13,809)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 250,959	\$ 170,828	\$ 80,131
Special Revenue	<u>384,820</u>	<u>246,538</u>	<u>138,282</u>
Total	<u>\$ 635,779</u>	<u>\$ 417,366</u>	<u>\$ 218,413</u>

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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 in the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LEASES

Leases outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
1999 Ford F-550 Truck	\$26,726	5.75%
Case Model 580 SL Backhoe	21,500	6.75%
Total	\$48,226	

A \$34,612 lease was obtained in 1999 to purchase a 1999 Ford F-550 Truck. A \$21,500 lease was obtained in 2000 to purchase a Case Model 580 SL backhoe. These leases are accounted for in the General Fund.

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

Year ending December 31:	Backhoe Lease	Truck Lease
2001	\$6,312	\$9,932
2002	6,312	9,932
2003	6,312	9,932
2004	6,312	9,932
Total	\$25,248	\$29,796

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participant's gross salaries through June 30, 2000. For the period July 1, 2000 through December 31, 200, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policy. OTARMA may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public officials' liability
- Vehicle

8. RELATED PARTIES

A Board of Trustee voted to hire an immediate family member for employment with the Township. The Township paid \$550 in salary.

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

Fayette Township
Lawrence County
114 Lea Street
South Point, Ohio 45680

To the Board of Trustees:

We have audited the accompanying financial statement of Fayette Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item numbers 2000-40744-001 and 2000-40744-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated April 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 10, 2001.

Fayette Township
Lawrence County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

April 10, 2001

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40744-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

Funds were not certified prior to a purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township not expend funds without obtaining the fiscal officer's certificate prior to an obligation being incurred.

FINDING NUMBER 2000-40744-002

Noncompliance Citation

Ohio Revised Code Section 2921.42 (A)(1) states that no public official shall knowingly authorize any public contract in which he, a member of his family, or any of his business associates has an interest. Further, Ohio Revised Code Section 2921.42(C)(1-4) states that this section does not apply to a public contract when all of the following apply: (1) the subject of the contract is necessary supplies for the political subdivision, (2) the supplies are unobtainable elsewhere for the same or lower cost, (3) the treatment given the political subdivision is either preferential to or the same as that accorded to other customers, and (4) the entire transaction is conducted at arm's length.

A Trustee member approved the hiring of his son at the June 12, 1999 meeting of the Board of Trustees.

We recommend the Board of Trustees refrain from the approval of employment to a member of his immediate family. This matter will be referred to the Lawrence County Prosecuting Attorney.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2000 AND 1999**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-40744-001	Clerk intends to begin certifying funds prior to incurring obligations.	March 31, 2001	Les York, Clerk
2000-40744-002	Trustees intend to refrain from approving the hiring of any relatives.	March 31, 2000	Les York, Clerk



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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
MAY 29, 2001**