



**Auditor of State  
Betty Montgomery**



FAYETTE TOWNSHIP  
LAWRENCE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Fayette Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 present fairly, in all material respects, the combined fund cash balances of Fayette Township, Lawrence County, as of December 31, 2002 and 2001, 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 May 1, 2003 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.

Fayette Township  
Lawrence County  
Independent Accountants' Report  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large initial "B".

**Betty Montgomery**  
Auditor of State

May 1, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$51,248	\$156,409	\$207,657
Intergovernmental	93,663	80,369	174,032
Earnings on Investments	1,827	1,223	3,050
Other Revenue	3,120	740	3,860
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	149,858	238,741	388,599
<b>Cash Disbursements:</b>			
Current:			
General Government	91,611		91,611
Public Safety		111,035	111,035
Public Works	5,712	65,763	71,475
Conservation - Recreation	7,142		7,142
Capital Outlay	38,102	1,198	39,300
Debt Service:			
Redemption of Principal	31,643		31,643
Interest and Fiscal Charges	5,963		5,963
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	180,173	177,996	358,169
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under)Cash Disbursements	(30,315)	60,745	30,430
<b>Other Financing Sources:</b>			
Other Proceeds from Sale of Public Debt	33,137		33,137
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	33,137	0	33,137
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	2,822	60,745	63,567
Fund Cash Balances, January 1	156,969	219,827	376,796
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$159,791</u></b>	<b><u>\$280,572</u></b>	<b><u>\$440,363</u></b>

*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, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$46,740	\$156,319	\$203,059
Intergovernmental	168,253	79,769	248,022
Earnings on Investments	4,368	2,924	7,292
Other Revenue	8,162	12,479	20,641
Total Cash Receipts	227,523	251,491	479,014
<b>Cash Disbursements:</b>			
Current:			
General Government	101,532		101,532
Public Safety		104,784	104,784
Public Works	9,354	97,072	106,426
Conservation - Recreation	4,567		4,567
Capital Outlay	7,301		7,301
Debt Service:			
Redemption of Principal	21,964		21,964
Interest and Fiscal Charges	6,437		6,437
Total Cash Disbursements	151,155	201,856	353,011
Total Cash Receipts Over/(Under) Cash Disbursements	76,368	49,635	126,003
Fund Cash Balances, January 1	80,601	170,192	250,793
<b>Fund Cash Balances, December 31</b>	<b>\$156,969</b>	<b>\$219,827</b>	<b>\$376,796</b>

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

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**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 Clerk. The Township provides 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 and Investments**

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.

*Permissive Motor Vehicle License Tax Fund* - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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 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 2002 and 2001 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.

**G. Vacation Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**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>2001</u>	<u>2002</u>
Demand deposits	<u>\$376,796</u>	<u>\$440,363</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,784	\$182,995	\$81,211
Special Revenue	246,093	238,741	(7,352)
Total	\$347,877	\$421,736	\$73,859

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$258,754	\$180,173	\$78,581
Special Revenue	465,920	177,996	287,924
Total	\$724,674	\$358,169	\$366,505

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,935	\$227,523	(\$32,412)
Special Revenue	268,509	251,491	(17,018)
Total	\$528,444	\$479,014	(\$49,430)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$340,073	\$151,155	\$188,918
Special Revenue	438,391	201,856	236,535
Total	\$778,464	\$353,011	\$425,453

The Township did not encumber funds contrary to Ohio Law.

**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.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAXES (Continued)**

Public utilities are also taxed on personal and real property located within the Township.

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

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

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
1999 Ford F550 Truck	\$9,420	5.55%
Case Model 580SL Backhoe	11,499	6.75%
John Deere Tractor	24,952	5.25%
Fire Truck	31,844	6.91%
Total	\$77,715	

The 1999 Ford F550 Truck capital lease was obtained in 1999 for 5 years. The Case Model 580SL Backhoe capital lease was obtained in 2001 for 5 years. The John Deere tractor loan was obtained in 2002 for 4 years. The Fire Truck note was entered into jointly with Fayette Township Volunteer Fire Department #1 in 1995 for 10 years. The Township is responsible for 75% of each yearly payment. The Township is responsible for the entire debt if the Fire Department defaults. All debt is collateralized by the equipment.

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

	Equipment Notes
Year ending December 31:	
2003	\$37,563
2004	27,631
2005	21,320
Total	\$86,514

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RETIREMENT SYSTEMS**

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. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

FAYETTE TOWNSHIP  
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (Most recent information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

8. RELATED PARTY TRANSACTION

The Township purchased services in the amount of \$8,000 from Pete's Heating and Plumbing which is owned by the son of one of the trustees. The Township made \$88.00 in payments to the brother of a board member.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 statements of Fayette Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items number 2002-001 through 2002-003. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated May 1, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 May 1, 2003.

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

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

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

**Betty Montgomery**  
Auditor of State

May 1, 2003

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER 2002-001**

**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 - This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Forty-seven percent of expenditures tested were not certified prior to the purchase commitment being made. By not certifying funds prior to a purchase commitment, the Township may obligate money it does not have.

We recommend the Township certify funds prior to an obligation being incurred.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Revised Code section 5575.01 states in part that contracts for the maintenance or repair of roads, where the amount involved exceeds \$15,000, the Board must in each case advertise once, not later than two weeks prior to the letting of the contract, in a newspaper published in the county and of general circulation in the township. The award must be to the lowest responsible bidder.

The Township used the services of Nicholas and Wright Paving Inc. during 2001 for paving of various Township roads. The Township Clerk contacted the Prosecuting Attorneys office for a legal opinion regarding the paving of these roads. The Prosecutors' Office offered general advice regarding split contracts and left it to the Board of Trustees as to whether each road should be a separate project. The Board did not make a formal determination in the minutes regarding the road projects. The Township awarded a contract in 2001 to Nicholas and Wright Paving Inc. for paving of various township roads and expenditures of \$60,000 as follows:

<u>Township Road</u>	<u>Invoice Date</u>	<u>Amount</u>	<u>Check Date</u>
1335	07-25-01	\$6,300	08-11-01
1421	07-25-01	3,900	08-11-01
1334	07-25-01	4,200	11-10-01
335	08-22-01	14,900	11-10-01
279W	09-05-01	13,580	11-10-01
219	10-04-01	5,120	11-10-01
1503	09-21-01	9,100	02-09-02
1523	09-21-01	5,900	02-09-02

Some of these contracts were successive contracts just under the bid limit and others were invoiced on the same date and relate to paving roads that are within two blocks of each other. Therefore, we believe these contracts should have been competitively bid.

By not properly bidding work, this could result in the Township expending more for work performed than what an alternative responsible bidder may have been able to submit.

We recommend that the Township Board of Trustees advertise and review bids in accordance with the Ohio Revised Code.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-003**

**Noncompliance Citation**

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Rev. Code Section 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code Section 2921.42 (A)(4) states that no public official knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The Township purchased services of \$8,000 from Pete's Heating and Plumbing, owned by the son of one of the Trustees. The Trustee also signed the check approving the expenditure. The Township made \$88.00 in payments to the brother of a Board member. This employment was not approved by the Board in the minute record. The Trustee also signed the checks approving the expenditure.

This could result in questions regarding the appropriate approval of purchases of the Township as well as whether Board members are asserting their influence and authority for personal gain. These items will be referred to the Ohio Ethics Commission.

We recommend the Township develop a formal policy regarding related party transactions to govern transactions in which members of the Board may have a personal interest. This policy may include Board members abstaining from voting on related party items, advertising contracts for bid, etc. We further recommend that members of the Board refrain from voting on anything that is family related.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-40744-001	Ohio Revised Code Section 5705.41 (D) state that no subdivision is to expend money unless it has been properly encumbered	No	Not corrected. Reissued as 2002-001
2000-40744-002	Ohio Revised Code Section 2921.42 stated that no public official shall knowingly authorize any public contract in which he, a member of his family, any business associates has an interest.	No	Not corrected. Reissued as 2002-005



**Auditor of State  
Betty Montgomery**

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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  
JUNE 19, 2003**