



Dave Yost • Auditor of State

FAYETTE TOWNSHIP
LAWRENCE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Fayette Township, Lawrence County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Fayette Township, Lawrence County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 12, 2016

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$77,747	\$178,103	\$255,850
Licenses, Permits and Fees	58,974		58,974
Intergovernmental	123,158	286,130	409,288
Earnings on Investments	290	103	393
Miscellaneous	7,909	16,162	24,071
<i>Total Cash Receipts</i>	<u>268,078</u>	<u>480,498</u>	<u>748,576</u>
Cash Disbursements			
Current:			
General Government	137,295	3,278	140,573
Public Safety		104,836	104,836
Public Works	7,914	123,368	131,282
Conservation-Recreation	3,464		3,464
Capital Outlay	67,716	185,909	253,625
Debt Service:			
Principal Retirement	11,354	43,445	54,799
Interest and Fiscal Charges	936	3,582	4,518
<i>Total Cash Disbursements</i>	<u>228,679</u>	<u>464,418</u>	<u>693,097</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>39,399</u>	<u>16,080</u>	<u>55,479</u>
Other Financing Receipts (Disbursements)			
Transfers In		27,556	27,556
Transfers Out		(27,556)	(27,556)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	39,399	16,080	55,479
<i>Fund Cash Balances, January 1</i>	<u>345,498</u>	<u>502,375</u>	<u>847,873</u>
Fund Cash Balances, December 31			
Restricted		448,986	448,986
Committed		69,469	69,469
Assigned	78,976		78,976
Unassigned (Deficit)	305,921		305,921
<i>Fund Cash Balances, December 31</i>	<u>\$384,897</u>	<u>\$518,455</u>	<u>\$903,352</u>

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

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$72,154	\$164,000		\$236,154
Licenses, Permits and Fees	66,777			66,777
Intergovernmental	43,400	121,118	26,172	190,690
Earnings on Investments	360	107		467
Miscellaneous	6,229	8,785		15,014
<i>Total Cash Receipts</i>	<u>188,920</u>	<u>294,010</u>	<u>26,172</u>	<u>509,102</u>
Cash Disbursements				
Current:				
General Government	148,698	9,135		157,833
Public Safety		61,001		61,001
Public Works	10,683	160,190		170,873
Conservation-Recreation	18,470			18,470
Capital Outlay		108,100	26,172	134,272
Debt Service:				
Principal Retirement	11,144	42,635		53,779
Interest and Fiscal Charges	1,115	4,264		5,379
<i>Total Cash Disbursements</i>	<u>190,110</u>	<u>385,325</u>	<u>26,172</u>	<u>601,607</u>
<i>Net Change in Fund Cash Balances</i>	(1,190)	(91,315)	0	(92,505)
<i>Fund Cash Balances, January 1</i>	<u>346,688</u>	<u>593,690</u>		<u>940,378</u>
Fund Cash Balances, December 31				
Restricted		452,716		452,716
Committed		49,659		49,659
Assigned	122,272			122,272
Unassigned (Deficit)	223,226	0	0	223,226
<i>Fund Cash Balances, December 31</i>	<u>\$345,498</u>	<u>\$502,375</u>	<u>\$0</u>	<u>\$847,873</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, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. 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 - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Special Levy Fund - This fund receives property tax money to provide fire protection for Township residents.

Permissive Motor Vehicle License Tax Fund - This fund receives permissive motor vehicle license tax monies to pay for constructing, maintaining, and repairing Township roads and bridges.

3. Capital Project Funds

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

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

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. Assigned

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

5. 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.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$903,352	\$847,873
Total deposits	903,352	847,873

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

3. Budgetary Activity

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,528	\$268,078	\$203,550
Special Revenue	126,732	508,054	381,322
Total	\$191,260	\$776,132	\$584,872

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$186,800	\$301,352	(\$114,552)
Special Revenue	271,500	492,634	(221,134)
Total	\$458,300	\$793,986	(\$335,686)

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,915	\$188,920	\$125,005
Special Revenue	123,274	294,010	170,736
Capital Projects		26,172	26,172
Total	\$187,189	\$509,102	\$321,913

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$271,200	\$190,778	\$80,422
Special Revenue	412,400	387,027	25,373
Capital Projects		26,172	(26,172)
Total	\$683,600	\$603,977	\$79,623

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
General Obligation Bond	\$171,100	2.00%
Total	\$171,100	

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

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	General Obligation Bonds
2015	\$59,322
2016	59,310
2017	59,364
Total	<u>\$177,996</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$18,093	\$16,251

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

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. Contingent Liabilities

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

9. Encumbrances

Encumbrances outstanding at December 31 may be reported as part of restricted, committed, or assigned classifications of fund balance. At December 31, 2013, the Township's commitments for encumbrances in the General Fund and Special Revenue Funds were \$668 and \$1,702, respectively. At December 31, 2014, the Township's commitments for encumbrances in the General Fund and Special Revenue Funds were \$72,673 and \$660, respectively. The December 31, 2014 General Fund amount includes final FEMA payments to Lawrence County Engineer in the amount of \$21,169 and U.S. Bridge Company in the amount of \$50,964. Payment for these items was made in February 2015.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type, of the Fayette Township, Lawrence County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 12, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-002 and 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

May 12, 2016

**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance Citation

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

At December 31, 2014, expenditures plus contractual commitments exceeded appropriations as follows:

Fund	Appropriations	Expenditures plus Commitments	Variance
General Fund	\$186,800	\$301,352	(\$114,552)
Special Levy Fund	\$63,500	\$153,462	(\$ 89,962)
Permissive Motor Vehicle License Tax Fund	\$50,000	\$ 84,395	(\$ 34,395)
FEMA Fund	\$25,000	\$162,720	(\$137,720)

At December 31, 2013, expenditures plus contractual commitments exceeded appropriations as follows:

Fund	Appropriations	Expenditures plus Commitments	Variance
Permissive Motor Vehicle License Tax Fund	\$100,000	\$118,496	(\$18,496)

This could result in overspending if not properly monitored.

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

Officials' Response:

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

FINDING NUMBER 2014-002

Material Weakness

The Township utilizes the Uniform Accounting Network (UAN) Accounting System which includes a monthly reconciliation process to assist the Fiscal Officer in the monthly book to bank reconciliation. Although the monthly reconciliations were performed in the accounting system, reconciliations were not accurate during 2013 and 2014.

FINDING NUMBER 2014-002
(Continued)

We identified the following conditions related to the December 2014 and 2013 year-end reconciliations:

- The outstanding check listing maintained by the Fiscal Officer was inaccurate. Certain checks the Township indicated as cleared in the system had not cleared the bank account.
- Certain checks the Township indicated were void in the system had cleared the bank account.
- Two checks cleared the bank account for different amounts than were posted to the accounting system.
- Interest revenue for several months of the audit period totaling \$139 related to the Township's bank account was not recorded during the audit period.
- Certain revenue amounts recorded in the accounting system were different than amounts deposited into the bank account. This included a duplicate receipt posting in the amount of \$5,079; 2014 receipts posted in 2013 in the amount of \$6,174; a receipt identified which was under recorded in the amount of \$2,000; and an unidentified receipt in the amount of \$1,451 which was not recorded.
- 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 Fiscal Officer posted balance adjustments to the accounting system to account for voided checks or payment from an incorrect fund instead of properly voiding the payment or posting the correction.
- The Fiscal Officer's December 31, 2013 and 2014 bank reconciliations included unidentified "other adjusting factors" in the amounts of (\$2,454) and (\$1,296) respectively.
- Proof of cash procedures performed to identify other adjusting factors identified corrections to reconciliations totaling \$10,099 at December 31, 2013 and \$1,542 at December 31, 2014.

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

As a result, we make the following recommendations:

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

**FINDING NUMBER 2014-002
(Continued)**

Officials' Response:

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

FINDING NUMBER 2014-003

Material Weakness

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

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

The Township misclassified and misposted various revenues and expenditures to the annual financial report submitted to the Auditor of State for fiscal years 2014 and 2013. These misstatements had the following effect on the Township's financial statements:

On the December 31, 2014 Financial Statement:

- General Fund intergovernmental receipts in the amount of \$10,767 were posted as property and other local taxes.
- General Fund assigned fund balance in the amount of \$78,976 and unassigned fund balance in the amount of \$305,912 was improperly recorded as restricted.
- General Fund expenditures totaling \$67,716 were allocated among conservation and recreation and general government expenditures which are more properly classified as capital outlay expenditures.
- General Fund general government expenditures were improperly classified as conservation and recreation expenditures.
- General Fund intergovernmental revenues and general government expenditures were understated by \$2,486 as a result of estate tax settlement being posted net of settlement deductions.
- Road and Bridge Fund intergovernmental revenues in the amount of \$89 were posted to the General Fund.
- Special Levy Fund intergovernmental revenues in the amount of \$275 were posted to the General Fund.
- Road and Bridge Fund intergovernmental revenues in the amount of \$4,121 were improperly classified as tax revenues.
- Special Levy Fund intergovernmental revenues in the amount of \$12,756 were improperly classified as tax revenues.

FINDING NUMBER 2014-003
(Continued)

- Road and Bridge Fund committed fund balance of \$70,923 was improperly classified as restricted fund balance.
- Gasoline Tax Fund intergovernmental receipt in the amount of \$2,723 was improperly recorded as miscellaneous revenues in the Motor Vehicle License Tax Fund.
- Special Levy Fund tax receipts in the amount of \$1,624 were posted to the Road and Bridge Fund.
- Special Revenue Fund Type expenditures totaling \$185,909 were allocated among public safety and public works expenditures which are more properly classified as capital outlay expenditures.

On the December 31, 2013 Financial Statement:

- General Fund intergovernmental receipts in the amount of \$10,629 were posted as property and other local taxes.
- General Fund assigned fund balance in the amount of \$122,272 and unassigned fund balance in the amount of \$225,169 was improperly recorded as restricted.
- General Fund receipt in the amount of \$773 was received in 2014 but recorded in 2013.
- Road and Bridge Fund intergovernmental revenues in the amount of \$81 were posted to the General Fund.
- Special Levy Fund intergovernmental revenues in the amount of \$250 were posted to the General Fund.
- Road and Bridge Fund intergovernmental revenues in the amount of \$3,915 were improperly classified as tax revenues.
- Special Levy Fund intergovernmental revenues in the amount of \$12,097 were improperly classified as tax revenues.
- On behalf activity relating to an Ohio Public Works Commission Project in the amount of \$26,172 was not recorded.
- Road and Bridge Fund committed fund balance of \$49,578 was improperly classified as restricted fund balance.
- Gasoline Tax Fund intergovernmental receipt in the amount of \$5,079 was recorded twice in the accounting system.
- Gasoline Tax Fund intergovernmental receipt in the amount of \$5,417 was improperly recorded as miscellaneous revenues in the Motor Vehicle License Tax Fund.
- Gasoline Tax Fund Receipt in the amount of \$5,402 was received in 2014 but recorded in 2013.
- Permissive Motor Vehicle License Tax Fund receipts in the amount of \$2,000 were not recorded.
- Special Revenue Fund Type expenditures totaling \$108,100 were allocated among public safety and public works expenditures which are more properly classified as capital outlay expenditures.

**FINDING NUMBER 2014-003
(Continued)**

- Permissive Motor Vehicle License Tax Fund miscellaneous revenues in the amount of \$953 were classified as tax revenues.

This resulted in audit adjustments and reclassifications to the financial statements.

The fund balance adjustments have been posted to the Township's accounting system.

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

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

Officials' Response:

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

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**FAYETTE TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Revised Code Section 5705.41(D) – Funds not properly certified in advance of Expenditure.	No	Not Corrected. Management letter comment issued.
2012-02	Material Weakness relating to misclassified and misposted revenues and expenditures on the financial statement.	No	Not Corrected. See Finding Number 2014-003.

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Dave Yost • Auditor of State

FAYETTE TOWNSHIP

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 26, 2016