



OHIO AUDITOR OF STATE
KEITH FABER



FAYETTE TOWNSHIP
LAWRENCE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Fayette Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Fayette Township, Lawrence County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the 2018 and 2017 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

July 22, 2020

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, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$83,189	\$268,913	\$0	\$352,102
Licenses, Permits and Fees	53,732	0	0	53,732
Intergovernmental	29,860	128,378	43,963	202,201
Earnings on Investments	19	8	0	27
Miscellaneous	3,467	33,244	0	36,711
<i>Total Cash Receipts</i>	<u>170,267</u>	<u>430,543</u>	<u>43,963</u>	<u>644,773</u>
Cash Disbursements				
Current:				
General Government	171,536	5,578	0	177,114
Public Safety	0	131,531	0	131,531
Public Works	1,602	189,708	0	191,310
Health	0	33,487	0	33,487
Conservation-Recreation	5,565	0	0	5,565
Capital Outlay	29,995	303,729	43,963	377,687
Debt Service:				
Principal Retirement	13,300	0	0	13,300
Interest and Fiscal Charges	1,615	0	0	1,615
<i>Total Cash Disbursements</i>	<u>223,613</u>	<u>664,033</u>	<u>43,963</u>	<u>931,609</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(53,346)</u>	<u>(233,490)</u>	<u>0</u>	<u>(286,836)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	0	279,000	0	279,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>279,000</u>	<u>0</u>	<u>279,000</u>
<i>Net Change in Fund Cash Balances</i>	(53,346)	45,510	0	(7,836)
<i>Fund Cash Balances, January 1</i>	<u>249,201</u>	<u>593,234</u>	<u>0</u>	<u>842,435</u>
Fund Cash Balances, December 31				
Restricted	0	573,410	0	573,410
Committed	0	65,334	0	65,334
Unassigned (Deficit)	195,855	0	0	195,855
<i>Fund Cash Balances, December 31</i>	<u>\$195,855</u>	<u>\$638,744</u>	<u>\$0</u>	<u>\$834,599</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, 2018

Note 1 – Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in 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 which are organized on a fund type basis.

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

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

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.

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for year-end December 31, 2018 as follows:

Fund	Appropriations	Expenditures	Variance
Gasoline Tax Fund	\$48,500	\$119,523	(\$71,023)
Special Levy-Fire Fund	\$205,000	\$449,655	(\$ 244,655)
Permissive Motor Vehicle License Tax Fund	\$40,000	\$55,113	(\$15,113)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

Fund Type	2018 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$73,396	\$170,267	\$96,871
Special Revenue	215,597	709,543	493,946
Capital Projects	43,963	43,963	0
Total	<u>\$332,956</u>	<u>\$923,773</u>	<u>\$590,817</u>

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$272,000	\$235,363	\$36,637
Special Revenue	454,000	718,047	(264,047)
Capital Projects	43,963	43,963	0
Total	\$769,963	\$997,373	(\$227,410)

Note 5 – Deposits and Investments

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

	2018
Demand deposits	\$834,599
Total deposits	\$834,599

Deposits

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

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

- 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>2018</u>	
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
2017 General Obligation Bonds	\$56,700	2.45%
2018 General Obligation Bonds	\$279,000	3.00%
Total	\$335,700	

In 2017, the Township issued general obligation bonds to finance the purchase of equipment needed by the Township. The Township’s taxing authority collateralized the bonds. The Township’s first payment is 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 the Township’s Fire Department. The Township’s taxing authority collateralized the bonds. The Township’s first payment is due on April 1, 2019 for a period of five years.

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending December 31:	2017 General Obligation Bonds	2018 General Obligation Bonds
2019	\$15,089	\$32,661
2020	15,054	32,707
2021	15,011	32,707
2022	15,060	32,707
2023		182,497
Total	\$60,214	\$313,279

Note 11 – Contingent Liabilities

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

Note 12 – Subsequent Events

On April 3 2019, the Township approved to acquire bonds to purchase a new tractor in the amount of \$78,092.

COVID-19 Update : The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures may impact subsequent periods of the Township. The Township’s investments of the pension and other employee benefit plan in which the Township participates in have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency 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, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$80,650	\$265,860	\$346,510
Licenses, Permits and Fees	52,412	0	52,412
Intergovernmental	29,114	125,523	154,637
Earnings on Investments	60	23	83
Miscellaneous	4,061	6,182	10,243
<i>Total Cash Receipts</i>	<u>166,297</u>	<u>397,588</u>	<u>563,885</u>
Cash Disbursements			
Current:			
General Government	143,821	3,811	147,632
Public Safety	0	149,601	149,601
Public Works	33,554	140,708	174,262
Health	0	11,043	11,043
Conservation-Recreation	9,765	0	9,765
Capital Outlay	110,727	21,226	131,953
Debt Service:			
Principal Retirement	12,059	46,141	58,200
Interest and Fiscal Charges	241	923	1,164
<i>Total Cash Disbursements</i>	<u>310,167</u>	<u>373,453</u>	<u>683,620</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(143,870)</u>	<u>24,135</u>	<u>(119,735)</u>
Other Financing Receipts (Disbursements)			
Sale of Bonds	70,000	0	70,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>70,000</u>	<u>0</u>	<u>70,000</u>
<i>Net Change in Fund Cash Balances</i>	(73,870)	24,135	(49,735)
<i>Fund Cash Balances, January 1</i>	<u>323,071</u>	<u>569,099</u>	<u>892,170</u>
Fund Cash Balances, December 31			
Restricted	0	502,981	502,981
Committed	0	90,253	90,253
Assigned	204,913	0	204,913
Unassigned (Deficit)	44,288	0	44,288
<i>Fund Cash Balances, December 31</i>	<u>\$249,201</u>	<u>\$593,234</u>	<u>\$842,435</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, 2017

Note 1 – Reporting Entity

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Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in 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

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

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

Basis of Accounting

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

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

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

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

Note 3 – Compliance

Contrary to Ohio law, the Board of Township Trustees did not properly approve permanent appropriations for 2017 and as a result all budgetary basis expenditures exceeded appropriations for the year.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,653	\$236,297	\$162,644
Special Revenue	213,727	397,588	183,861
Total	\$287,380	\$633,885	\$346,505

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$316,476	(\$316,476)
Special Revenue	0	409,760	(409,760)
Total	\$0	\$726,236	(\$726,236)

Note 5 – Deposits and Investments

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

Demand deposits	2017 \$842,435
Total deposits	\$842,435

Deposits

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, 2017

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

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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Net Position	\$31,335,267
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At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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>2017 Contributions to OTARMA</u>
\$17,579

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

FAYETTE TOWNSHIP
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	Principal	Interest Rate
General Obligation Bonds	\$70,000	2.45%
Total	\$70,000	

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

Amortization

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

Year Ending December 31:	General Obligation Bonds
2018	\$14,915
2019	15,089
2020	15,054
2021	15,011
2022	15,060
Total	\$75,129

Note 11 – Contingent Liabilities

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

Note 12 – Subsequent Events

On April 8 2018, the Township approved to acquire bonds to purchase a new tanker truck for the fire department in the amount of \$279,000.

On April 3 2019, the Township approved to acquire bonds to purchase a new tractor in the amount of \$78,092.

COVID-19 Update : The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures may impact subsequent periods of the Township. The Township's investments of the pension and other employee benefit plan in which the Township participates in have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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 of Fayette Township, Lawrence County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2020 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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 2018-003 and 2018-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001, 2018-002, and 2018-005.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 22, 2020

FAYETTE TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

For 2018, the Board of Township Trustees did not approve temporary appropriations and the permanent appropriations were not approved until March 6, 2018.

For 2017, the Board of Township Trustees approved only temporary appropriations on December 12, 2016; however, there were no permanent appropriations approved for 2017.

Failure to approve all required temporary and permanent appropriations by the Board of Township Trustees resulted in noncompliance in other areas of the Ohio Rev. Code compliance since appropriations were not approved and filed as required.

We recommend the Board of Township Trustees approve appropriations on or near the first day of each year.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any disbursement 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 disbursements in excess of appropriations as follows:

At December 31, 2018:

Fund	Appropriations	Budgetary Disbursements	Variance
Gasoline Tax Fund	\$48,500	\$119,523	(\$71,023)
Special Levy-Fire Fund	\$205,000	\$449,655	(\$244,655)
Permissive Motor Vehicle License Tax Fund	\$40,000	\$55,113	(\$15,113)

**FINDING NUMBER 2018-002
(Continued)**

At December 31, 2017:

Fund	Appropriations	Budgetary Disbursements	Variance
General Fund	\$0	\$316,476	(\$316,476)
Motor Vehicle License Tax Fund	\$0	\$5,921	(\$5,921)
Gasoline Tax Fund	\$0	\$114,601	(\$114,601)
Road and Bridge Fund	\$0	\$20,367	(\$20,367)
Special Levy - Fire Fund	\$0	\$246,027	(\$246,027)
Permissive Motor Vehicle License Tax Fund	\$0	\$22,844	(\$22,844)

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

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

FINDING NUMBER 2018-003

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 is responsible for reviewing the reconciliations and related support.

Although the monthly reconciliations were performed in the accounting system, reconciliations were not accurate during 2018 and 2017.

We identified the following conditions related to the December 2018 and 2017 year-end reconciliations:

- In 2017, an \$11,934 receipt adjustment was posted by the Township Fiscal Officer incorrectly. This adjustment caused cash balances to be incorrect in the UAN system.
- In 2017, a \$12,020 receipt was posted twice to the UAN system.
- In 2017, a memo charge was posted for \$19,936; however, there was no support for this disbursement actually coming out of the bank account.
- In 2018, a receipt (#1-2018) was posted to the system for \$500 less than what cleared the bank.

**FINDING NUMBER 2018-003
(Continued)**

- In 2018, a receipt (#11-2018) was posted to the system for \$701 more than what cleared the bank
- In 2018, a receipt (#21-2018) was posted to the system for \$1,024. This receipt was not located on the bank statements.
- In 2018, memo charges were posted for a total of \$8,100; however, there was no support for these disbursements actually coming out of the bank account.
- In 2018, an AETNA payment in the amount of \$7,031 was not recorded to the UAN system.

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

- The outstanding check listing maintained by the Township Fiscal Officer was inaccurate. Certain checks the Township indicated as cleared in the system had not cleared the bank account and checks were identified as outstanding when they had already cleared the bank.
- Certain receipt amounts recorded in the accounting system were different than amounts deposited into the bank account.
- 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.

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.

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 addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

FINDING NUMBER 2018-004

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.

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

The Township misclassified and misposted various receipts and disbursements to the annual financial report submitted to the Auditor of State for fiscal years 2018 and 2017. These misstatements had the following effect on the Township's financial statements:

**FINDING NUMBER 2018-004
(Continued)**

On the December 31, 2018 Financial Statement:

- General Fund Bond Principal Payment disbursements were understated by \$13,300. Capital Outlay disbursements were overstated by this amount as well.
- General Fund Cable Franchise Fees were misposted as Tax Receipts causing Tax Receipts to be overstated by \$13,065 and Licenses, Permits and Fees to be understated by the same amount.
- General Fund Capital Outlay disbursements were understated by \$17,000 while General Government disbursements were overstated by the same amount.
- General Fund Fund balance was also misclassified. Restricted Fund Balance was overstated by \$218,529, while Assigned Fund Balance was understated by the same amount.
- Road and Bridge Fund Restricted Fund Balance was overstated by \$48,050. Committed Fund balance was understated by this amount as well.
- Special Levy Fire Fund Miscellaneous Receipts were overstated by \$279,000. Sale of Bonds were understated by this amount as well.
- Special Levy Fire Fund Public Safety disbursements were overstated by \$279,000. Capital Outlay disbursements were understated by this amount as well.
- OPWC On Behalf of Grant handled by Lawrence County was not posted to Township's Financial Statements. This caused Capital Projects Intergovernmental Receipts and Capital Outlay Disbursements to be understated by \$43,963.

On the December 31, 2017 Financial Statement:

- General Fund Miscellaneous Receipts were overstated by \$70,000. Sale of Bonds were understated by this amount as well.
- General Fund Tax Receipts were overstated by \$39,086. Licenses, Permits and Fees were understated by this amount as well.
- General Fund General Government disbursements were overstated by \$41,683. Capital Outlay disbursements were understated by this amount as well.
- General Fund Fund balance was also misclassified. Restricted Fund Balance was overstated by \$270,469, while Assigned Fund Balance and Unassigned Fund Balance were understated by \$204,913 and \$65,556, respectively.
- Road and Bridge Fund Restricted Fund Balance was overstated by \$90,253. Committed Fund balance was understated by this amount as well.
- Tax Receipts in the amount of \$72,404 was incorrectly posted to the Road and Bridge Fund, instead of Special Levy Fire Fund. This error was identified by Township Fiscal Officer however, he did not adjust the receipt accounts in the UAN system; instead, he did a fund balance adjustment only. Due to this, the receipt accounts were still misposted between these funds on the financial statements.

**FINDING NUMBER 2018-004
(Continued)**

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

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

We also recommend the Township Fiscal Officer refer to the Ohio Township Handbook and Auditor of State Bulletins 2000-008, 2002-004 and 2011-004 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 disbursements.

FINDING NUMBER 2018-005

Noncompliance

Ohio Rev. Code § 505.60 currently permits townships to procure their own healthcare coverage, while Ohio Rev. Code § 505.601 permits townships to opt not to procure their own plans, but still reimburse officers' and employees' for their healthcare premiums. Ohio Rev. Code Section 505.60 specifically permits townships to procure the following forms of healthcare coverage: hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance. In addition, Ohio Rev. Code Section 505.60 allows townships to reimburse a township officer or employee for out-of-pocket premiums for insurance policies, including long-term care insurance. The reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan established pursuant to Ohio Rev. Code Section 505.60, or who elects not to participate in the township's plan. The township may reimburse for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits that the board could have provided under Ohio Rev. Code Section 505.60(A). Ohio Rev. Code Section 505.60(D) indicates the reimbursement for the officer, employee, and their immediate dependent cannot exceed an amount equal to the average premium paid by the township under any health care plan it procures.

Requirements governing township-procured health insurance coverage apply equally to township paid coverage through a health insuring corporation contract as follows:

- * that an officer or employee may decline coverage under either method without affecting the availability of coverage to other officers and employees
- * that either method may provide the same kinds of coverage
- * that coverage under either method is to be paid from the same township sources used to pay employee and officer compensation
- * that immediate dependents may be covered under either method
- * that reimbursement of an officer or employee for premiums paid for alternative coverage (e.g., through a spouse) is only for the part of the premium paid for the same kinds of coverage offered by the township's plan, whether it be provided through insurance or a health insuring corporation contract

The statute does not permit reimbursements for:

- * deductibles

FINDING NUMBER 2018-005
(Continued)

- * the employer's portion of premiums
- * healthcare expenses related to family members, not on the township healthcare plan

If a township opts not to procure its own health insurance, it still is permitted to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs pursuant to Ohio Rev. Code Section 505.601. However, pursuant to Ohio Rev. Code Section 505.601, the township must meet the following three conditions:

1. The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium,
2. The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee,
3. The resolution states the specific benefits, pursuant to Ohio Rev. Code §505.60(A), that will be reimbursed.

Ohio Rev. Code Section 505.601 (reimbursement when a township does not offer health insurance to its officers/employees) covers reimbursements made to township officers/employees for dependent health care coverage. Reimbursement is only for the part of the out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits that the board could have provided under Ohio Rev. Code § 505.60(A), and that the reimbursement covers immediate dependents in addition to the officer or employee.

With the enactment of the Patient Protection and Affordable Care Act (ACA), as noted in Auditor of State Bulletin 2015-002, Federal authorities have issued conflicting directives which suggest that the practices in Ohio Rev. Sections 505.60 and 505.601 may constitute violations of provisions of that voluminous legislation and may subject townships engaging in the same to penalty. The Internal Revenue Service (IRS) issued Notice 2015-17 in which it is indicated that an employer payment plan which involves the employer's reimbursement to employees for some or all of their health insurance premiums incident to a policy secured other than through the employer constitutes a group health plan which is subject to regulation under the Patient Protection and Affordable Care Act (ACA). On that basis, the IRS indicates that any such reimbursement plan, since it limits the amount of payments, is in violation of the ACA, and may subject the employer to fines and penalties. The IRS indicated that it would forgo such assessments as to small employers until after June 30, 2015, but, thereafter, that they could be assessed. The issue is the subject of litigation as to which there is not yet resolution.

Employers may make premium reimbursements if their program is "integrated", under Federal regulations, into a group health care plan offered by the employer, and they may utilize so-called 125 payment plans. Absent the provision by the public employer of health care insurance coverage, neither premium reimbursement nor a 125 premium payment plan is permissible under relevant provisions of the Patient Protection and Affordable Care Act, as said enactment has been interpreted by the Internal Revenue Service. See Auditor Of State Bulletin 2015-002 and 2015 Op. Atty. Gen. No. 2015-021.

We noted the following in testing the Township's insurance reimbursement activity for the audit period:

- The Township both purchased an insurance plan and offered it to Township elected officials and also reimbursed elected officials for out of pocket insurance premiums if they chose not to take the Township's insurance.

**FINDING NUMBER 2018-005
(Continued)**

- Also, the Township minute record documented approval of insurance; however, the approval only stated they would offer health insurance and life insurance to the Trustees, Fiscal Officer and employees. The approval did not include all the elements noted above. For example, the approval did not include a maximum monthly or yearly payment for each officer/employee.

We recommend the Township determine if they are choosing to follow Ohio Rev. Code 505.60 or 505.601. The Township should not be operating under both. They must determine which section they choose to follow and then they need to approve a resolution stating the method chosen, specific benefits that will be reimbursed, and uniform maximum monthly or yearly payment amounts for each officer and employee as outlined above.

Officials' Response:

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

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**Fayette Township
Lawrence County**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 5705.41(b), budgetary expenditures exceeded appropriations.	Not corrected	Township Elected Officials intend to correct this in future years.
2016-002	Cash Reconciliation not accurately completed.	Not corrected	Township Elected Officials intend to correct this in future years.
2016-003	Sound Financial Reporting	Not corrected	Township Elected Officials intend to correct this in future years.

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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 8/4/2020

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