



Dave Yost • Auditor of State



FAYETTE TOWNSHIP  
LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	22

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# Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 13, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Fayette Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Fayette Township, Lawrence County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

January 13, 2012



**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$66,851	\$163,657	\$230,508
Licenses, Permits, and Fees	60,684		60,684
Intergovernmental	32,997	136,509	169,506
Earnings on Investments	1,406	468	1,874
Miscellaneous	8,914	106,399	115,313
	<u>170,852</u>	<u>407,033</u>	<u>577,885</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	88,193	49,381	137,574
Public Safety		267,779	267,779
Public Works	18,850	166,066	184,916
Conservation - Recreation	8,180		8,180
Capital Outlay	97,112		97,112
Debt Service:			
Redemption of Principal	16,229	31,741	47,970
Interest and Other Fiscal Charges	89	12,373	12,462
	<u>228,653</u>	<u>527,340</u>	<u>755,993</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(57,801)</u>	<u>(120,307)</u>	<u>(178,108)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Sale of Notes	97,112		97,112
	<u>97,112</u>	<u>0</u>	<u>97,112</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	39,311	(120,307)	(80,996)
Fund Cash Balances, January 1	300,999	579,894	880,893
<b>Fund Cash Balances, December 31</b>	<b><u>\$340,310</u></b>	<b><u>\$459,587</u></b>	<b><u>\$799,897</u></b>

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

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$58,067	\$164,258	\$222,325
Licenses, Permits, and Fees	57,287		57,287
Intergovernmental	44,075	128,215	172,290
Earnings on Investments	1,337	759	2,096
Miscellaneous	2,948	46,078	49,026
	<u>163,714</u>	<u>339,310</u>	<u>503,024</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	89,662	58,103	147,765
Public Safety		78,048	78,048
Public Works	7,910	185,926	193,836
Conservation - Recreation	10,026		10,026
Debt Service:			
Redemption of Principal	5,977	30,453	36,430
Interest and Other Fiscal Charges	250	13,661	13,911
	<u>113,825</u>	<u>366,191</u>	<u>480,016</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>49,889</u>	<u>(26,881)</u>	<u>23,008</u>
Fund Cash Balances, January 1	<u>251,110</u>	<u>606,775</u>	<u>857,885</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$300,999</u></u></b>	<b><u><u>\$579,894</u></u></b>	<b><u><u>\$880,893</u></u></b>

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

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 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. The Township contracts with the Fayette Township Volunteer Fire Department #2 to provide fire.

The Township participates in the Ohio Township Risk Management Association (OTARMA) public entity risk pool. 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

**C. Deposits and Investments**

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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. 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.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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:

	2010	2009
Demand deposits	\$799,897	\$880,893

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

**2010 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,399	\$267,964	\$115,565
Special Revenue	459,343	407,033	(52,310)
Total	\$611,742	\$674,997	\$63,255

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$290,500	\$228,653	\$61,847
Special Revenue	539,100	527,340	11,760
Total	\$829,600	\$755,993	\$73,607

**2009 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,844	\$163,714	\$11,870
Special Revenue	291,938	339,310	47,372
Total	\$443,782	\$503,024	\$59,242

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,800	\$113,825	\$136,975
Special Revenue	466,500	366,191	100,309
Total	\$717,300	\$480,016	\$237,284

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control in several funds at December 31, 2010 and 2009. Additionally, contrary to Ohio law, the Township did not encumber all commitments.

**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.

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

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

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note - Fire Truck	\$223,233	4.40%
Note - Grader	80,883	4.78%
Note - Tanker	22,474	4.50%
Total	<u>\$326,590</u>	

The Township issued promissory notes to finance the purchase of a new fire truck, grader, and tanker for Township fire protection and road maintenance. The Township's taxing authority collateralized the notes.

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

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (Continued)**

Year ending December 31:	Note - Fire Truck	Note - Grader	Note - Tanker
2011	\$37,849	\$6,813	\$6,265
2012	195,297	16,351	6,265
2013		16,351	6,265
2014		16,351	6,265
2015		16,351	
2016-2020		23,164	
Total	\$233,146	\$95,381	\$25,060

**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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

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>2010</u>	<u>2009</u>
\$17,408	\$12,537

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.





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of Fayette Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated January 13, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2010-005 described in the accompanying Schedule of Findings to be a material weakness.

### 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, providing an opinion 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 2010-001 through 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 13, 2012.

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.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 13, 2012

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation - Finding for Recovery**

Ohio Revised Code 505.60(D) states that, if any township officer or employee is denied coverage under a health care plan procured under this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

Fayette Township procured a Health Insurance Policy for Township officers and employees pursuant to Ohio Revised Code 505.60(A). The Fayette Township minute record indicates on September 18, 2004, the Township Trustees approved "to reimburse the Trustees, Clerk or employees for health insurance premiums and equal deductible that the Township policy offers if the Trustee, Clerk or employee chooses another carrier."

Trustee Donald Hackworth elected not to participate in the Township's health care plan and obtained health insurance benefits through his spouse's employer. During the period of, January 2009 through December 2010, Mr. Hackworth was reimbursed \$315.72 monthly, for a total of \$7,577 for out-of-pocket premiums attributable to the coverage provided for him through his spouse's employer. However, during that period, the premiums deducted from his spouse's salary totaled only \$7,376. This resulted in an overpayment of \$201.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for monies illegally expended is hereby issued against Trustee Donald Hackworth, and his bonding company, the Ohio Township Risk Management Authority, in the amount of \$182, in favor of the Fayette Township General Fund and in the amount of \$19 in favor of the Fayette Township Gasoline Tax Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-001 (Continued)**

**Noncompliance Citation - Finding for Recovery - Ohio Revised Code 505.60(D) (Continued)**

Fiscal Officer Terry Wise approved the monthly payments for health insurance reimbursement to Donald Hackworth. Accordingly, Terry Wise and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$182 in favor of the Fayette Township General Fund, and in the amount of \$19 in favor of the Fayette Township Gasoline Tax Fund, to the extent that recovery is not obtained from Donald Hackworth.

**Officials Response:** We will repay this finding.

**FINDING NUMBER 2010-002**

**Noncompliance Citation - Finding for Recovery**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Pursuant to 1957 Ohio Attorney General Opinion 243, unless the travel for township business is outside of the township, mileage may not be collected.

Fayette Township Resolution #1, approved September 14, 2007, authorized reimbursement for mileage at the IRS rate for the Township Trustees and Fiscal Officer. The IRS rate was 55 cents per mile in 2009 and 50 cents per mile in 2010. During 2009 and 2010, the Township officers were reimbursed for mileage at the rate of 58.5 cents per mile and for mileage due to travel inside of the township. This resulted in overpayments for mileage reimbursements throughout the audit period as follows:

	Miles Driven	Calculated at IRS Rate of 55 cents per mile	Amount Paid at 58.5 cents per mile	Overpayment
2009				
Terry Wise	1512	\$ 831.60	\$ 884.52	\$ (52.92)
Donald Hackworth	1310	720.50	766.35	(45.85)
Perry Brock	1823	1,002.65	1,066.46	(63.80)

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-002 (Continued)**

**Noncompliance Citation - Finding for Recovery (Continued)**

	Miles Driven	Calculated at IRS Rate of 50 cents per mile	Amount Paid at 58.5 cents per mile	Overpayment
2010				
Terry Wise	2016	\$ 1,008.00	\$ 1,179.36	\$ (171.36)
Donald Hackworth	1260	630.00	737.10	(107.10)
Perry Brock	2666	1,333.00	1,559.61	(226.61)
	Miles Driven Within The Township	Reimbursed at 58.5 cents per mile		Overpayment
Perry Brock	46	\$ 26.91	\$ 26.91	
Total Overpayments:		Rounded Overpayment		
Terry Wise	\$ 224.28	\$ 224.00		
Donald Hackworth	152.95	152.00		
Perry Brock	317.32	317.00		
	<u>\$ 694.55</u>	<u>\$ 693.00</u>		

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for monies illegally expended is hereby issued against Terry Wise and his bonding company, Travelers Casualty and Surety Company of America, in the amount of \$224; Trustee Donald Hackworth, and his bonding company, the Ohio Township Risk Management Authority, in the amount of \$152, and Perry Brock and his bonding company, Ohio Township Risk Management Authority, in the amount of \$317 in favor of the Fayette Township General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Fiscal Officer Terry Wise approved the payments for mileage reimbursement for Donald Hackworth and Perry Brock. Accordingly, Terry Wise and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$469 in favor of the Fayette Township General Fund, to the extent that recovery is not obtained from Donald Hackworth and Perry Brock.

**Officials Response:** We will repay this finding.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-003**

**Noncompliance Citation**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect

Fayette Township Trustees Michael Finley, Perry Brock, and Don Hackworth made purchases from the Township's General Fund for livestock at the county fair totaling \$3,201 in 2010 and \$2,499 in 2009. The voucher was also signed by Fiscal Officer, Terry Wise. The Board of Trustees did not pass a resolution prior to making the expenditure. Further, there was no documentation to support that these purchases were made pursuant to a duly enacted board resolution or an otherwise proper public purpose.

The Board should pass a resolution prior to making any expenditure of public funds.

**Officials Response:** We have passed a policy regarding livestock purchases and recorded it in the minute record.

**FINDING NUMBER 2010-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

FAYETTE TOWNSHIP  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)

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

FINDING NUMBER 2010-004 (Continued)

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Fiscal Officer did not obtain prior certification for 24% of 2009 and 14% of 2010 tested disbursements. We found no evidence of the Township utilizing a "then and now" certificate in these instances. The Township did not require prior certification of a purchase order before the Township incurred an obligation. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials Response:** We will begin using Then and Now certificates when emergency purchases are necessary.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-005**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

2010

- The Township did not post Proceeds of Debt and associated Capital Outlay for the purchase of a grader in the amount of \$97,112.
- The initial debt payment on the grader was posted as Capital Outlay instead of Principal in the amount of \$16,229 and Interest in the amount of \$89.
- Homestead and Rollback and Personal Property Reimbursement receipts were posted as Taxes instead of Intergovernmental in the General Fund in the amount of \$13,983.
- Homestead and Rollback and Personal Property Reimbursement receipts were posted as Taxes instead of Intergovernmental in the Fire Fund in the amount of \$27,347.
- Real estate taxes were posted as Intergovernmental in the Road and Bridge Fund in the amount of \$23,200.
- Real estate taxes were posted as Intergovernmental in the Fire Levy Fund in the amount of \$91,992.
- A Permissive Motor Vehicle License Tax receipt in the amount of \$3,027 was posted to the General Fund instead of the Permissive MVL Fund.
- Fiscal officer benefits totaling \$1,927 were paid from the Gasoline Tax Fund instead of the General Fund.

2009

- Homestead and Rollback and Personal Property Reimbursement receipts were posted as Taxes instead of Intergovernmental in the General Fund in the amount of \$9,197.
- Homestead and Rollback and Personal Property Reimbursement receipts were posted as Taxes instead of Intergovernmental in the Fire Fund in the amount of \$18,688.
- A Gasoline Tax receipt in the amount of \$5,286 was posted to the General Fund instead of the Gasoline Tax Fund.
- Fiscal officer benefits totaling \$474 were paid from the Gasoline Tax Fund instead of the General Fund.

The audited financial statements and Township's accounting system reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Township's Fiscal Officer review the Ohio Township Handbook for guidance on the correct line item to post various receipts and expenditures of the Township.



FAYETTE TOWNSHIP  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-005 (Continued)

**Material Weakness (Continued)**

**Officials Response:** We will review the Ohio Township Handbook to determine proper posting of receipts.

**FAYETTE TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Noncompliance citation of Ohio Rev. Code Section 5705.41 (D)	No	Not Corrected  See Finding Number 2010-004 in the accompanying Schedule of Findings
2008-002	Significant deficiency for misposting of receipts	No	Not Corrected  See Finding Number 2010-005 in the accompanying Schedule of Findings



# 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  
FEBRUARY 14, 2012