



OHIO AUDITOR OF STATE
KEITH FABER



FAYETTE TOWNSHIP
LAWRENCE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Fayette Township, Lawrence County, Ohio (the Township).

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, 2020 and 2019, 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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, 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 14 to the 2020 financial statements and Note 13 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 February 14, 2022, 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
February 14, 2022

Fayette Township, Ohio
Lawrence County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$92,550	\$277,062	\$369,612
License, Permits & Fees	67,879	0	67,879
Intergovernmental	32,906	454,793	487,699
Earnings on Investments	0	10,622	\$10,622
Miscellaneous	18,089	27,766	\$45,855
<i>Total Cash Receipts</i>	<u>211,424</u>	<u>770,243</u>	<u>981,667</u>
Cash Disbursements			
Current:			
General Government	227,171	7,259	234,430
Public Safety	0	225,004	225,004
Public Works	1,551	259,692	261,243
Conservation-Recreation	10,632	0	10,632
Capital Outlay	78,277	0	78,277
Debt Service:			
Principal Retirement	7,000	46,759	53,759
Interest and Fiscal Charges	1,054	10,229	11,283
<i>Total Cash Disbursements</i>	<u>325,685</u>	<u>548,943</u>	<u>874,628</u>
<i>Net Change in Fund Cash Balances</i>	(114,261)	221,300	107,039
<i>Fund Cash Balances, January 1</i>	<u>207,894</u>	<u>594,201</u>	<u>802,095</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$93,633</u></u>	<u><u>\$815,501</u></u>	<u><u>\$909,134</u></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, 2020

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 general government services, road and bridge maintenance and fire protection.

Public Entity Risk Pools

The Township participates in the Ohio Township Association of Risk Management Authority (OTARMA), risk-sharing pool available to townships. Note 7 to the financial statements provide additional information for these entities. 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 for which are all 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:

Gasoline Tax Fund This 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 Fund This fund accounts for and reports fees restricted for maintenance and repair of roads within the Township.

Special Levy Fire Fund This fund receives property tax money for fire protection for Township residents.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2020 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources for the year ended December 31, 2020 as follows: General Fund by \$114,236; Gasoline Tax Fund by \$78,152; Special Levy Fire Fund by \$49,156; Permissive Motor Vehicle License Fund by \$8,934 and the FEMA Fund by \$156.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,680	\$211,424	\$129,744
Special Revenue	226,416	770,243	543,827
Total	\$308,096	\$981,667	\$673,571

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$451,250	\$356,521	\$94,729
Special Revenue	880,600	627,894	252,706
Total	\$1,331,850	\$984,415	\$347,435

Note 5 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

<i>Cash Management Pool:</i>	
Demand deposits	\$909,134
<i>Total carrying amount of deposits held in the Pool</i>	\$909,134

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.

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.

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

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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
- 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>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$ 10,894,146

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Township 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 health care 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, 2020.

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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
2017 General Obligation Bonds	\$29,000	2.45%
2018 General Obligation Bonds	229,596	3.00%
2019 General Obligation Bonds	63,400	3.40%
Total	\$321,996	

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

In 2019, the Township issued general obligation bonds to finance the purchase of a tractor. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on July 1, 2020 for a period of five years.

Amortization

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

	2017 General Obligation Bonds	2018 General Obligation Bonds	2019 General Obligation Bonds
Year Ending December 31:			
2021	\$15,011	\$32,707	\$17,155
2022	15,060	32,707	17,245
2023		182,497	17,215
2024			17,268
Total	\$30,071	\$247,911	\$68,883

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.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$30,836	\$78,951	\$109,787
Total	\$30,836	\$78,951	\$109,787

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – Subsequent Events

In January 2021, the Township approved to purchase a rescue truck for an amount not to exceed \$57,000.

In August 2021, the Township accepted a bid from Citgo for the installation of water lines on Township Roads 99 & 279, in the amount of \$115,590.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Fayette Township, Ohio

Lawrence County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$82,532	\$270,542	\$0	\$353,074
License, Permits & Fees	63,872	0	0	63,872
Intergovernmental	32,936	141,374	57,421	231,731
Miscellaneous	2,210	22,134	0	24,344
<i>Total Cash Receipts</i>	<u>181,550</u>	<u>434,050</u>	<u>57,421</u>	<u>673,021</u>
Cash Disbursements				
Current:				
General Government	231,515	5,173	0	236,688
Public Safety	0	158,708	0	158,708
Public Works	549	207,240	0	207,789
Capital Outlay	450	74,811	57,421	132,682
Debt Service:				
Principal Retirement	13,700	24,337	0	38,037
Interest and Fiscal Charges	1,389	8,324	0	9,713
<i>Total Cash Disbursements</i>	<u>247,603</u>	<u>478,593</u>	<u>57,421</u>	<u>783,617</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(66,053)</u>	<u>(44,543)</u>	<u>0</u>	<u>(110,596)</u>
Other Financing Receipts				
Sale of Bonds	78,092	0	0	78,092
<i>Total Other Financing Receipts</i>	<u>78,092</u>	<u>0</u>	<u>0</u>	<u>78,092</u>
<i>Net Change in Fund Cash Balances</i>	12,039	(44,543)	0	(32,504)
<i>Fund Cash Balances, January 1</i>	<u>195,855</u>	<u>638,744</u>	<u>0</u>	<u>834,599</u>
<i>Fund Cash Balances, December 31</i>				
Restricted	0	553,378	0	553,378
Assigned	207,894	0	0	207,894
Committed	0	40,823	0	40,823
<i>Fund Cash Balances, December 31</i>	<u>\$207,894</u>	<u>\$594,201</u>	<u>\$0</u>	<u>\$802,095</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, 2019

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 general government services, road and bridge maintenance and fire protection.

Public Entity Risk Pools

The Township participates in Ohio Township Association of Risk Management Authority (OTARMA), a risk-sharing pool available to Townships. Note 8 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.

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:

Gasoline Tax Fund This 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 This fund accounts for and reports fees restricted for maintenance and repair of roads in the Township.

Special Levy Fire Fund This 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:

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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 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 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 2019 budgetary activity appears in Note 4.

Deposits

The Township maintains its deposit pool in an interest-bearing checking account with a local commercial bank. 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.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 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, appropriations exceeded estimated resources in the General Fund by \$29,725 and Permissive Motor Vehicle License Fund by \$10,245 on December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,396	\$259,642	\$186,246
Special Revenue	215,597	434,050	218,453
Capital Projects	57,421	57,421	0
Total	\$346,414	\$751,113	\$404,699

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$321,650	\$256,220	\$65,430
Special Revenue	548,900	515,898	33,002
Capital Projects	57,421	57,421	0
Total	\$927,971	\$829,539	\$98,432

Note 5 – Deposits

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

	2019
Demand deposits	\$802,095

Deposits

Deposits are either 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.

Note 6 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
2017 General Obligation Bonds	\$43,000	2.45%
2018 General Obligation Bonds	254,663	3.00%
2019 General Obligation Bonds	78,092	3.40%
Total	\$375,755	

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

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2019

In 2018, the Township issued general obligation bonds to finance the purchase of fire equipment needed by Township’s Fire Department. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on April 1, 2019 for a period of five years.

In 2019, the Township issued general obligation bonds to finance the purchase of a tractor. The Township’s taxing authority collateralized the bonds. The Township’s first payment was due on July 1, 2020 for a period of five years.

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 General Obligation Bonds
2020	\$15,054	\$32,707	\$17,280
2021	15,011	32,707	17,155
2022	15,060	32,707	17,245
2023		182,497	17,215
2024			17,268
Total	\$45,125	\$280,618	\$86,163

Note 7 – 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.

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

Note 8 – 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

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2019

- Law enforcement liability
- Automobile liability
- 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>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 health care 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, 2019.

Note 10 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.

Fayette Township
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – Subsequent Events

In January 2021, the Township approved to purchase a rescue truck for an amount not to exceed \$57,000.

In August 2021, the Township accepted a bid from Citgo for the installation of water lines on Township Roads 99 & 279, in the amount of \$115,590.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Fayette Township, Lawrence County, (the Township) and have issued our report thereon dated February 14, 2022, 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 continuing emergency measures, which may 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) as a basis for designing 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 2020-008 through 2020-010 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 financial statement. 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 2020-001 through 2020-007.

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
February 14, 2022

FAYETTE TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

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

FINDING NUMBER 2020-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 505.24 (A) provides township trustees shall be entitled to compensation in an amount for each day of service in the business of the township, to be paid from the township treasury as follows:

In townships having a budget of more than seven hundred fifty thousand but not more than one million five hundred thousand dollars; fifty-six dollars and seventy-one cents per day for not more than two hundred days.

The Township's annual budget was between \$750,000 - \$1,500,000 for 2020. Based on this budget amount, Ohio Rev. Code § 505.24(A) limited the annual salary for Trustee Mike Jones to \$11,342 in 2020. However, the Trustee was paid incorrectly in 2020 as follows:

Trustee Compensation Annual Allowable Salary	\$11,342
Trustee compensation amount received	\$11,557
Over/(Under) Payment	\$ 215

Based on the chart above, the Trustee was over compensated in the amount of \$215. Trustees Mike Finley and Justin Gibson approved these payments in 2020 for Trustee Mike Jones.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Mike Jones; his surety company, Ohio Township Association Risk Management Authority; Mike Finley and Justin Gibson, jointly and severally, in the amount of \$215, and in favor of Fayette Township, Lawrence County, General Fund in the amount of \$215.

The Township received repayment from Mike Jones, on January 18, 2022, via cashier's check #10498 in the amount of \$215, posted to the General Fund with Township Receipt #04-2022. This finding for recovery is paid in full.

FINDING NUMBER 2020-002

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 505.24 (A) provides township trustees shall be entitled to compensation in an amount for each day of service in the business of the township, to be paid from the township treasury as follows:

In townships having a budget of more than seven hundred fifty thousand but not more than one million five hundred thousand dollars; fifty-six dollars and seventy-one cents per day for not more than two hundred days.

The Township's annual budget was between \$750,000 - \$1,500,000 for 2020. Based on this budget amount, Ohio Rev. Code § 505.24(A) limited the annual salary for Trustee Mike Finley to \$11,342 in 2020. However, the Trustee was paid incorrectly in 2020 as follows:

Trustee Compensation Annual Allowable Salary	\$11,342
Trustee compensation amount received	\$11,557
Over/(Under) Payment	\$ 215

**FINDING NUMBER 2020-002
 (Continued)**

Based on the chart above, the Trustee was over compensated in the amount of \$215. Trustees Mike Jones and Justin Gibson approved these payments in 2020 for Trustee Mike Finley.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Mike Finley; his surety company, Ohio Township Association Risk Management Authority; Mike Jones and Justin Gibson, jointly and severally, in the amount of \$215, and in favor of Fayette Township, Lawrence County, General Fund in the amount of \$215.

The Township received repayment from Mike Finley, on January 18, 2022, via cashier's check #10498 in the amount of \$215, posted to the General Fund with Township Receipt #04-2022. This finding for recovery is paid in full.

FINDING NUMBER 2020-003

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 507.09(A) provides a township fiscal officer shall be entitled to compensation as follows:

In a township having a budget of more than seven hundred and fifty thousand but not more than one million five hundred thousand dollars, in 2020 fiscal officers that are elected or appointed prior to December 27, 2018 are to be compensated \$18,717. Those fiscal officers that are elected or appointed on or after December 27, 2018 are to be compensated \$19,378.

The Township's annual budget was between \$750,000 - \$1,500,000 for 2020. Based on this budget amount and Terry Wise being elected in November 2019 for a new term starting April 1, 2020, Ohio Rev. Code § 507.09(A) limited the annual salary for Fiscal Officer, Terry Wise to \$18,717 to be utilized for allocation of salary for the first three months and \$19,378 to be used in the allocation over the last nine months of 2020. However, the Fiscal Officer was paid incorrectly as follows:

Fiscal Officer January 2020 – March 2020 Salary	\$4,679
April 2020 – December 2020 Salary	\$14,533
Total Compensation per Ohio Rev. Code	\$19,212
Fiscal Officer compensation amount received	\$19,322
Over Payment	\$ 110

Based on the chart above, the Fiscal Officer was over compensated in the amount of \$110. Trustees Mike Finley, Justin Gibson and Mike Jones approved these payments in 2020 for Fiscal Officer Terry Wise.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Fiscal Officer, Terry Wise; his surety company, Ohio Township Association Risk Management Authority; Mike Finley; Justin Gibson; and Mike Jones, jointly and severally, in the amount of \$110, and in favor of Fayette Township, Lawrence County, General Fund in the amount of \$110.

The Township received repayment from Terry Wise, on January 18, 2022, via cashier's check #10498 in the amount of \$110, posted to the General Fund with Township Receipt #04-2022. This finding for recovery is paid in full.

FINDING NUMBER 2020-004

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 505.60 currently permits townships to procure their own healthcare coverage. In addition, Ohio Rev. Code § 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 § 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 § 505.60(A). 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 [Ohio Rev. Code § 505.60(D)] and cannot be reimbursed for immediate dependents if they elect not to participate in the plan.

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

In 2019, Trustee Don Hackworth was reimbursed for a healthcare policy held in his wife's name, solely for his wife, in the amount of \$1,310.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Trustee Don Hackworth, in the amount of \$1,310 and in favor of Fayette Township, Lawrence County, General Fund.

The Township received repayment from Don Hackworth, on January 7, 2022, via cashier's check #10490 in the amount of \$1,310, posted to the General Fund with Township Receipt #2-2022. This finding for recovery is paid in full.

FINDING NUMBER 2020-005

Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 505.60 currently permits townships to procure their own healthcare coverage. In addition, Ohio Rev. Code § 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 § 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 § 505.60(A). 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 [Ohio Rev. Code § 505.60(D)] and cannot be reimbursed for immediate dependents if they elect not to participate in the plan.

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

In 2020, Trustee Justin Gibson was reimbursed for the employer's portion of vision, dental and life premiums in the amount of \$482.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trustee Justin Gibson, in the amount of \$482 and in favor of Fayette Township, Lawrence County, General Fund.

The Township received repayment from Justin Gibson on July 8, 2021, via personal check #2485 in the amount of \$482, posted to the General Fund with Township Receipt #58-2021. This finding for recovery is paid in full.

FINDING NUMBER 2020-006

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
- 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,

FINDING NUMBER 2020-006
(Continued)

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.
- 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.

FINDING NUMBER 2020-007

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

For the year 2020 the Township's appropriations exceeded the amount certified as available by the budget commission in the General Fund by \$114,236; Gasoline Tax Fund by \$78,152; Special Levy Fire Fund by \$49,156; Permissive Motor Vehicle License (MVL) Fund by \$8,934; and FEMA Fund by \$156.

For the year 2019, the Township's appropriations exceeded the amount certified by the budget commission in the General Fund by \$29,725 and Permissive MVL Fund by \$10,245.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustee to reduce the appropriations.

FINDING NUMBER 2020-008

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 of Trustees are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared accurately each month of 2020 and 2019. Failure to accurately 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.

We identified the following conditions related to the December 2020 and 2019 year-end reconciliations:

**FINDING NUMBER 2020-008
(Continued)**

- In 2020, check #11878 and check #12098 for \$1,045 and \$2,714, respectively, were voided in the UAN system, however both were listed on the bank statements.
- In 2020, payment #6-2020 for \$1,139 was not posted to the system, however it was noted on the bank statements.
- In 2020, check #12098 was posted to system for \$1,750 for an adjustment. This item was not listed on the bank statements. This caused the system to be out of balance.
- In 2019, a receipt (#4-2019) was posted to the system for \$3,497. This receipt was not located on the bank statements.
- In 2019, a receipt (#3-2019) was posted to the system for \$7,414. This receipt was not located on the bank statements.
- In 2019, receipt #17-2019 was posted to the system for \$270 more than what cleared the bank.
- In 2019, payment #17-2019 was posted to system in the amount of \$9,169, however there was no support for this on the bank statements.
- In 2019, a receipt for \$591 was posted twice in the UAN System.
- In 2019, payment #28-2019 was posted to system in the amount of \$522, however there was no support for this on the bank statements.
- In 2019, two receipts (#58-2019 and 60-2019) for amounts of \$1,188 and \$7,819, respectively, were voided in system, however both were listed on the bank statements.
- In 2019, a receipt (#117-2019) was posted to the system for \$16,877. This receipt was not located on the bank statements.

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 to be out of balance with 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 revenue amounts recorded in the accounting system that 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.

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 2020-009

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.

Due to deficiencies in internal control, the Township misclassified and misposted various receipts and disbursements to the annual financial report submitted to the Auditor of State for fiscal year ended 2019 as follows:

- Property Taxes in the amount of \$69,282 were incorrectly posted to the General Fund instead of Special Levy Fire Fund.
- In the General Fund, receipts of \$78,092 were classified as Miscellaneous instead of Sale of Bonds.
- In the General Fund, cable franchise fees receipts of \$17,553 were classified as Property Taxes instead of Licenses, Permits and Fees.
- In the General Fund, the fund balance of \$255,334 was classified as Restricted instead of Assigned.
- In the Road and Bridge Fund, the fund balance of \$40,823 was classified as Restricted instead of Committed.
- In the Permissive Motor Vehicle License Fund, paving project disbursements of \$32,299 were classified as Public Works instead of Capital Outlay.
- In the Special Levy Fire Fund, disbursements of \$28,012 were classified as Public Safety instead of Capital Outlay.
- Ohio Public Works Commission (OPWC) on-behalf-of grant handled by Lawrence County was not posted to Township's financial statements which resulted in the OPWC Fund Intergovernmental receipts and Capital Outlay disbursements to be understated by \$57,421.

The Township has adjusted the financial statements and accounting records to correct these errors, where applicable. Failure to accurately post financial activity can lead to material misstatements in financial reporting, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

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 notes by the Township Fiscal Officer and Board of Trustees to identify and correct errors and omissions. We also recommend the Township Fiscal Officer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

FINDING NUMBER 2020-010

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 accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Variations between approved budgetary appropriation amounts and amounts recorded in the Uniform Accounting Network (UAN) system at December 31, 2020 were as follows:

Fund:	Approved Appropriations	Appropriations in UAN System	Difference
General Fund (#1000)	\$451,250	\$504,250	(\$53,000)
Gasoline Tax Fund (#2021)	\$261,000	\$341,000	(\$80,000)
Road and Bridge Fund (#2031)	\$ 55,000	\$ 60,000	(\$ 5,000)
Special Levy Fund (#2191)	\$242,600	\$283,307	(\$40,707)

Variations between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2020 were as follows:

Fund:	Estimated Receipts from Amended Certificate of Estimated Resources	Estimated Receipts in UAN System	Difference
General Fund (#1000)	\$ 81,680	\$ 40,640	\$41,040
Motor Vehicle License Tax Fund (#2021)	\$ 0	\$ 36,000	(\$ 36,000)
Gasoline Tax Fund (#2021)	\$ 0	\$200,000	(\$200,000)
Road and Bridge Fund (#2031)	\$ 32,972	\$ 75,000	(\$ 42,028)
Special Levy Fire Fund (#2191)	\$193,444	\$220,000	(\$ 26,556)
Permissive Motor Vehicle Tax Fund (#2231)	\$ 0	\$ 30,000	(\$ 30,000)
Coronavirus Relief Fund (#2272)	\$ 0	\$285,000	(\$285,000)
Coronavirus Relief Fund (#2273)	\$ 0	\$170,000	(\$170,000)
FEMA Fund (#2901)	\$ 0	\$ 25,000	(\$ 25,000)

FINDING NUMBER 2020-010
(Continued)

Variances between approved budgetary appropriation amounts and amounts recorded in the UAN system at December 31, 2019 were as follows:

Fund:	Approved Appropriations	Appropriations in UAN System	Difference
General Fund (#1000)	\$321,650	\$452,650	(\$131,000)
Gasoline Tax Fund (#2021)	\$195,500	\$262,500	(\$ 67,000)
Special Levy Fire Fund (#2191)	\$225,100	\$457,600	(\$232,500)
Permissive Motor Vehicle Tax Fund (#2231)	\$ 45,000	\$ 80,000	(\$ 35,000)

Variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2019 were as follows:

Fund:	Estimated Receipts from Amended Certificate of Estimated Resources	Estimated Receipts in UAN System	Difference
General Fund (#1000)	\$ 73,396	\$294,250	(\$220,854)
Motor Vehicle License Tax Fund (#2021)	\$ 0	\$ 30,002	(\$ 30,002)
Gasoline Tax Fund (#2021)	\$ 0	\$230,005	(\$203,005)
Road & Bridge Fund (#2031)	\$ 29,773	\$ 46,500	(\$ 16,727)
Special Levy Fire Fund (#2191)	\$185,824	\$646,000	(\$460,176)
Permissive Motor Vehicle Tax Fund (#2231)	\$ 0	\$ 73,971	(\$ 73,971)
FEMA Fund (#2901)	\$ 0	\$ 23,803	(\$ 23,803)

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations approved by Board were not properly posted to the accounting system. Additionally, the estimated receipts from the approved Amended Certificate of Estimated Resources was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the footnotes.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code §5705.38(A)	Corrective Action Taken and Finding is Fully Corrected	
2018-002	Ohio Rev. Code §5705.41(B)	Partially Corrected	See Management Letter
2018-003	Cash Reconciliation not accurately completed	Not Corrected	See Finding Number 2020-008
2018-004	Sound Financial Reporting	Not Corrected	See Finding Number 2020-009
2018-005	Ohio Rev. Code §505.60	Not Corrected	See Finding Number 2020-006

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 3/1/2022

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