



Mary Taylor, CPA  
Auditor of State



**FEARING TOWNSHIP  
WASHINGTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

Fearing Township  
Washington County  
655 Becker Road  
Whipple, Ohio 45788

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 25, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Fearing Township  
Washington County  
655 Becker Road  
Whipple, Ohio 45788

To the Board of Trustees:

We have audited the accompanying financial statements of Fearing Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. 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(B) and 115.56 mandate 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, 2007 and 2006 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, 2007 and 2006, 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 Fearing Township, Washington County, Ohio, as of December 31, 2007 and 2006, 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 August 25, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

August 25, 2008

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$14,390	\$48,260	\$7,600	\$70,250
Intergovernmental	44,547	133,047		177,594
Earnings on Investments	508	274		782
Miscellaneous	3,090	822		3,912
Total Cash Receipts	62,535	182,403	7,600	252,538
<b>Cash Disbursements:</b>				
Current:				
General Government	61,478	48,527		110,005
Public Safety		745		745
Public Works	847	126,262		127,109
Health	3,512			3,512
Conservation - Recreation	1,606	204		1,810
Other		60		60
Debt Service:				
Redemption of Principal			2,600	2,600
Interest and Fiscal Charges			4,743	4,743
Total Cash Disbursements	67,443	175,798	7,343	250,584
Total Cash Receipts Over/(Under) Cash Disbursements	(4,908)	6,605	257	1,954
Fund Cash Balances, January 1	77,533	72,580	627	150,740
<b>Fund Cash Balances, December 31</b>	<b>\$72,625</b>	<b>\$79,185</b>	<b>\$884</b>	<b>\$152,694</b>

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

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$14,685	\$48,400	\$7,600	\$70,685
Intergovernmental	64,409	149,602		214,011
Earnings on Investments	517	279		796
Miscellaneous	2,052	4,251		6,303
Total Cash Receipts	81,663	202,532	7,600	291,795
<b>Cash Disbursements:</b>				
Current:				
General Government	50,485	81,059		131,544
Public Safety		712		712
Public Works	14,956	132,510		147,466
Health	3,010			3,010
Conservation - Recreation	12,091			12,091
Debt Service:				
Redemption of Principal			2,500	2,500
Interest and Fiscal Charges			4,941	4,941
Total Cash Disbursements	80,542	214,281	7,441	302,264
Total Cash Receipts Over/(Under) Cash Disbursements	1,121	(11,749)	159	(10,469)
<b>Other Financing Receipts and (Disbursements):</b>				
Advances-In	744		744	1,488
Advances-Out	(744)		(744)	(1,488)
Total Other Financing Receipts/(Disbursements)	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,121	(11,749)	159	(10,469)
Fund Cash Balances, January 1 (Restated - see Note 2)	76,412	84,329	468	161,209
<b>Fund Cash Balances, December 31</b>	<b>\$77,533</b>	<b>\$72,580</b>	<b>\$627</b>	<b>\$150,740</b>

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

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Fearing Township, Washington 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, cemetery maintenance and fire protection. The Township contracts with the Fearing Township Volunteer Fire Department to provide fire services.

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. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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:

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

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

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**3. Debt Service Fund**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Bond Retirement Fund - This fund receives property tax money to retire principal and interest due to capital facilities bonds issued for building construction.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 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.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

**E. 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.

**F. 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.

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. RESTATEMENT OF FUND BALANCES**

For the year ended December 31, 2006, adjustments resulted in fund balance restatements as follows:

<u>Governmental Funds:</u>	<u>Fund Balance at December 31, 2005</u>	<u>Restatement Amount</u>	<u>Fund Balance at January 1, 2006</u>
General	\$ 78,512	\$ (2,100)	\$ 76,412
Special Revenue	82,229	2,100	84,329

This was due to the Township correcting a posting error from the prior audit in the amount of \$2,100 from the Motor Vehicle License Tax Fund to the General Fund.

**3. EQUITY IN POOLED CASH**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 152,694	\$ 150,740

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 49,300	\$ 62,535	\$ 13,235
Special Revenue	165,003	182,403	17,400
Debt Service	7,500	7,600	100
Total	<u>\$ 221,803</u>	<u>\$ 252,538</u>	<u>\$ 30,735</u>

<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 126,833	\$ 67,443	\$ 59,390
Special Revenue	276,531	175,798	100,733
Debt Service	7,452	7,343	109
Total	<u>\$ 410,816</u>	<u>\$ 250,584</u>	<u>\$ 160,232</u>

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 78,687	\$ 81,663	\$ 2,976
Special Revenue	203,491	202,532	(959)
Debt Service	7,600	7,600	0
Total	\$ 289,778	\$ 291,795	\$ 2,017

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 128,677	\$ 80,542	\$ 48,135
Special Revenue	282,213	214,281	67,932
Debt Service	8,068	7,441	627
Total	\$ 418,958	\$ 302,264	\$ 116,694

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in several line items at the object level in the General Fund for the year ended December 31, 2006.

**5. 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.

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.

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$57,875	7.75%

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**6. DEBT (Continued)**

The Township issued general obligation bonds to finance the construction of a new equipment storage building and are secured solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Bonds
2008	\$7,450
2009	7,420
2010	7,376
2011	7,417
2012	7,444
2013-2017	36,563
2018-2020	19,778
Total	\$93,448

**7. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**8. RISK POOL MEMBERSHIP**

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

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK POOL MEMBERSHIP (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**8. RISK POOL MEMBERSHIP (Continued)**

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

**Contributions to OTARMA**

2005	\$	4,772
2006	\$	5,080
2007	\$	3,630

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

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# Mary Taylor, CPA

## Auditor of State

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

Fearing Township  
Washington County  
655 Becker Road  
Whipple, Ohio 45788

To the Board of Trustees:

We have audited the financial statements of Fearing Township, Washington County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 25, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 25, 2008.

#### **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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001, 2007-002 and 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 25, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

August 25, 2008

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 505.60(C) states that if any township officer or employee is denied coverage under a health care plan procured under division (B) of 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 that the officer or employee incurs for insurance policies 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 officer and employees under policies it procures under division (B) of this Section.

Attorney General Opinion No. 2005-038 concluded that, pursuant to Ohio Rev. Code Section 505.60(C), a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Ohio Rev. Code Section 505.60(A) if the officer or employee is denied health care coverage under a policy procured by the township under Ohio Rev. Code Section 505.60(B), or if the officer or employee elects not to participate in the township's health care plan. The policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

The Township reimbursed Trustee Harold (Chuck) Nonnenmacher II for family coverage for the year 2007 amounting to \$1,448 which was in excess of his actual out-of-pocket premium expenses attributable to him only.

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the health care reimbursement statutes, as demonstrated in the opinions of several prosecuting attorneys submitted to our office. In addition, legislation has been introduced and passed the Ohio House of Representatives to extend reimbursement to township officials and employees for premiums for family coverage. Therefore, we will not issue Findings for Recovery for these expenditures during the 2006-2007 audit period.

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until HB 458 is passed by the legislature and becomes law.

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2006, expenditures exceeded appropriations as follows:

<b>Fund/Account</b>	<b>Approved Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
1000-110-312-0000	\$6,400	\$6,737	(\$337)
1000-110-313-0000	\$435	\$1,305	(\$870)
1000-110-315-0000	\$600	\$643	(\$43)
1000-110-341-0000	\$975	\$1,235	(\$260)
1000-110-345-0000	\$100	\$237	(\$137)
1000-110-360-0000	\$3,775	\$4,137	(\$362)
1000-110-519-0000	\$150	\$850	(\$700)
1000-330-420-0000	\$0	\$14,956	(\$14,956)

The variance was due to supplemental appropriations being posted to the system that were not approved by the Board of Trustees. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

In addition, we noted the Township did not pass a temporary appropriations measure for 2006 resulting in expenditures exceeding appropriations in all funds until the permanent appropriations was passed on February 12, 2006.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2007-003**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

At December 31, 2006, estimated receipts as approved by the Budget Commission did not agree to the Township's ledgers for the following funds. The variances were as follows:

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Significant Deficiency (Continued)**

Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
General Fund	\$ 78,687	\$ 81,663	\$ (2,976)
Motor Vehicle License Tax Fund	17,964	17,975	(11)
Gasoline Tax Fund	86,041	86,352	(311)
Road and Bridge Fund	7,830	9,841	(2,011)
Road Levy	13,829	13,004	825
Fire District Fund	40,343	37,970	2,373
Permissive Sales Tax Fund	37,485	36,589	896

At December 31, 2007, estimated receipts as approved by the Budget Commission did not agree to the Township's ledgers for the following funds. The variances were as follows:

Fund	Estimated Receipts Per Budget Commission	Amounts Per Township Reports	Variance
General Fund	\$ 49,300	\$ 62,512	\$ (13,212)
Motor Vehicle License Tax Fund	17,075	18,092	(1,017)
Road and Bridge Fund	6,100	6,719	(619)
Road Levy	12,100	12,937	(837)
Fire District Fund	37,400	38,014	(614)
Permissive Sales Tax Fund	7,253	14,882	(7,629)
Bond Retirement Fund	7,500	7,600	(100)

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Significant Deficiency (Continued)**

At December 31, 2006, appropriations in the system did not agree to the amounts approved by the Board of Trustees, as follows:

Fund/Line Item	Approved Appropriations	Appropriations per the UAN system	Variance
1000-110-312-0000	\$6,400	\$6,737	(\$337)
1000-110-313-0000	435	1,305	(870)
1000-110-315-0000	600	675	(75)
1000-110-341-0000	975	1,300	(325)
1000-110-345-0000	100	700	(600)
1000-110-360-0000	3,775	4,275	(500)
1000-110-410-0000	500	1,865	(1,365)
1000-110-420-0000	30,000	11,662	18,338
1000-110-519-0000	150	900	(750)
1000-330-420-0000	0	14,956	(14,956)
1000-710-599-0000	500	425	75
2031-330-420-0000	23,458	23,257	201
2041-110-314-0000	1,450	450	1,000
2021-330-212-0000	0	1,000	(1,000)
2021-330-420-0000	22,240	21,240	1,000

Without information properly entered into the system, the management of the Township lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer take due care in posting only approved estimated receipts and appropriations to the accounting system.

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-004**

**Noncompliance Citation and Significant Deficiency**

Ohio Admin. Code 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

The Fiscal Officer incorrectly posted the permissive tax revenue to taxes instead of intergovernmental revenue in 2006 in the amount of \$36,589 and in 2007 in the amount of \$14,882. In addition, the Fiscal Officer incorrectly paid the interest payment on the garage loan from the General Fund instead of the Debt Service Fund in the amount of \$1,163 in 2007. Additionally, the Motor Vehicle License additional premium receipt and its corresponding expenditure of \$204 was posted to the Capital Projects Fund instead of the Special Revenue Fund. As a result, these significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements.

During the audit period, the Fiscal Officer also posted certain insignificant revenue transactions incorrectly. June's intangible tax was posted to other rather than intergovernmental revenue and excess IRP was posted to the Gasoline Tax Fund instead of the Motor Vehicle License Tax Fund. This resulted in incorrect postings of insignificant Township transactions in the financial statements. It was unnecessary to post adjustments for these transactions to the financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**FEARING TOWNSHIP  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	Ohio Rev. Code Section 5705.41(D)(1) - the Township did not certify 38% of expenditures tested in 2005 and 81% in 2004.	No	Partially corrected – issued in management letter for the current audit period.
2005-002	Ohio Rev. Code Section 5705.36 - appropriations exceeded beginning fund balance plus actual receipts in Road and Bridge fund in 2004 and in the FEMA Fund in 2005.	Yes	
2005-003	Ohio Rev. Code Section 5705.41(B) – disbursements exceeded appropriations in the General, Road and Bridge, FEMA and Debt Service Funds in 2004.	No	Re-issued in this audit period; see Finding Number 2007-002.
2005-004	Ohio Rev. Code Section 4503.02 – Township expended \$2,100 from the Motor Vehicle License Tax fund to pay debt on Capital Facilities Bonds in 2005.	Yes	
2005-005	Posting of estimated receipts and appropriations incorrectly to the accounting system.	No	Re-issued in this audit period; see Finding Number 2007-004.
2005-006	Employer share remitted for payroll withholdings were overstated in 2004 due to an error posted to the manual payroll register.	Yes	
2005-007	Township did not post necessary proceeds of taxes to Bond Retirement Fund.	Yes	



**Mary Taylor, CPA**  
Auditor of State

**FEARING TOWNSHIP**

**WASHINGTON 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  
SEPTEMBER 25, 2008**