



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FEARING TOWNSHIP
WASHINGTON COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Report of Independent Accountants | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000 | 4 |
| Notes to the Financial Statements | 5 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 11 |
| Schedule of Findings..... | 13 |
| Schedule of Prior Audit Findings..... | 18 |

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REPORT OF INDEPENDENT ACCOUNTANTS

Fearing Township
Washington County
RR 10 Box 11
Marietta, Ohio 43750

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, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 14, 2002

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**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, 2001**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Local Taxes | \$6,692 | \$43,307 | \$4,779 | \$ | \$54,778 |
| Intergovernmental | 37,520 | 196,426 | 3,169 | | 237,115 |
| Earnings on Investments | 1,148 | 515 | | | 1,663 |
| Other Revenue | 2,943 | | | | 2,943 |
| Total Cash Receipts | 48,303 | 240,248 | 7,948 | 0 | 296,499 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 48,633 | 946 | | | 49,579 |
| Public Safety | | 24,000 | | | 24,000 |
| Public Works | | 154,760 | | | 154,760 |
| Health | 2,421 | | | | 2,421 |
| Debt Service: | | | | | |
| Redemption of Principal | | | 6,248 | | 6,248 |
| Interest and Fiscal Charges | | | 1,700 | | 1,700 |
| Capital Outlay | | 49,450 | 47,903 | 75,000 | 172,353 |
| Total Cash Disbursements | 51,054 | 229,156 | 55,851 | 75,000 | 411,061 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (2,751) | 11,092 | (47,903) | (75,000) | (114,562) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Other Sources | 4,700 | | | | 4,700 |
| Total Other Financing Receipts/(Disbursements) | 4,700 | 0 | 0 | 0 | 4,700 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 1,949 | 11,092 | (47,903) | (75,000) | (109,862) |
| Fund Cash Balances, January 1 | 14,144 | 66,196 | 47,903 | 75,000 | 203,243 |
| Fund Cash Balances, December 31 | \$16,093 | \$77,288 | \$0 | \$0 | \$93,381 |

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, 2000**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Local Taxes | \$11,177 | \$42,200 | \$ | \$ | \$53,377 |
| Intergovernmental | 39,453 | 120,185 | | | 159,638 |
| Earnings on Investments | 2,193 | 632 | | | 2,825 |
| Other Revenue | 2,881 | | | | 2,881 |
| Total Cash Receipts | <u>55,704</u> | <u>163,017</u> | <u>0</u> | <u>0</u> | <u>218,721</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| General Government | 57,455 | 3,283 | | | 60,738 |
| Public Safety | | 23,250 | | | 23,250 |
| Public Works | 1,523 | 133,523 | | | 135,046 |
| Health | 2,520 | | | | 2,520 |
| Debt Service: | | | | | |
| Redemption of Principal | | | | | 0 |
| Interest and Fiscal Charges | | | | | 0 |
| Capital Outlay | | | | 7,167 | 7,167 |
| Total Cash Disbursements | <u>61,498</u> | <u>160,056</u> | <u>0</u> | <u>7,167</u> | <u>228,721</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (5,794) | 2,961 | 0 | (7,167) | (10,000) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Proceeds from Sale of Public Debt: | | | | | |
| Sale of Notes | | | | 75,000 | 75,000 |
| Total Other Financing Receipts/(Disbursements) | <u>0</u> | <u>0</u> | <u>0</u> | <u>75,000</u> | <u>75,000</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (5,794) | 2,961 | 0 | 67,833 | 65,000 |
| Fund Cash Balances, January 1 | <u>19,938</u> | <u>63,235</u> | <u>47,903</u> | <u>7,167</u> | <u>138,243</u> |
| Fund Cash Balances, December 31 | <u>\$14,144</u> | <u>\$66,196</u> | <u>\$47,903</u> | <u>\$75,000</u> | <u>\$203,243</u> |

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

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Fearing Township, Washington County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides general governmental services, including road and bridge maintenance (public works), cemetery maintenance (health), and fire protection (public safety). The Township contracts with Fearing Township Volunteer Fire Department to provide fire and emergency services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

3. Debt Service Fund

The Bond Retirement Fund is used to accumulate resources for the payment of Capital Facilities Bonds.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had a Permanent Improvement Fund that received proceeds from the sale of Capital Facilities Bonds which will be used to finance a equipment building.

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH

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

| | | |
|-----------------|----------|-----------|
| | 2001 | 2000 |
| Demand deposits | \$93,381 | \$203,243 |

Deposits are either (1) insured by the Federal Deposit Insurance Corporation and/or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 was as follows:

2001 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General | \$45,168 | \$53,003 | \$7,835 |
| Special Revenue | \$208,907 | \$240,248 | \$31,341 |
| Debt Service | 7,948 | 7,948 | 0 |
| Total | \$262,023 | \$301,199 | \$39,176 |

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|----------|
| General | \$63,871 | \$51,054 | \$12,817 |
| Special Revenue | \$280,281 | \$229,156 | \$51,125 |
| Capital Projects | \$75,000 | \$75,000 | \$0 |
| Debt Service | 55,851 | 55,851 | 0 |
| Total | \$475,003 | \$411,061 | \$63,942 |

2000 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------|
| General | \$50,076 | \$55,704 | \$5,628 |
| Special Revenue | \$166,464 | \$163,017 | (\$3,447) |
| Capital Projects | \$120,375 | \$75,000 | (\$45,375) |
| Debt Service | 1,200 | 0 | (1,200) |
| Total | \$338,115 | \$293,721 | (\$44,394) |

2000 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------|
| General | \$74,700 | \$61,498 | \$13,202 |
| Special Revenue | \$272,663 | \$160,056 | \$112,607 |
| Capital Projects | \$7,167 | \$7,167 | \$0 |
| Debt Service | 47,903 | 0 | 47,903 |
| Total | \$402,433 | \$228,721 | \$173,712 |

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Miscellaneous Special Revenue Fund by \$46,000 for the year ended December 31, 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31.

If the property owner elects to make semiannual payment, 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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|---|-----------------|---------------|
| Capital Facilities Bonds-Equipment Building | <u>\$73,300</u> | 7.75% |

The bonds were issued to finance the construction of a new equipment storage building and are secured solely by the Township's taxing authority. The Township did not establish a Debt Service Fund nor did it reserve sufficient tax money to cover debt payments, as covenanted in the bond agreement. However, the financial statements have been adjusted to reflect compliance with those requirements.

Amortization of the above debt, including interest of \$68,936, is as follows:

| Year Ending December 31: | Capital Facilities Bonds |
|-----------------------------|-----------------------------|
| 2002 | \$7,481 |
| 2003 | 7,541 |
| 2004 | 7,486 |
| 2005 | 7,524 |
| 2006 | 7,545 |
| 2007-2011 | 37,541 |
| 2012-2016 | 37,335 |
| 2017-2020 | <u>29,783</u> |
| Total | <u>\$142,236</u> |

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for the period January 1, 2000 through June 30, 2000 and for 2001. For the period July 1, 2000 through December 31, 2000 PERS temporarily reduced the employer's contribution rate to 8.13% of participants' gross salaries. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (the latest information available):

| <u>Casualty Coverage</u> | <u>2001</u> | <u>2000</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$23,703,776 | \$22,684,383 |
| Liabilities | <u>9,379,003</u> | <u>8,924,977</u> |
| Retained earnings | <u>\$14,324,773</u> | <u>\$13,759,406</u> |
| | | |
| <u>Property Coverage</u> | <u>2001</u> | <u>2000</u> |
| Assets | \$5,011,131 | \$4,156,784 |
| Liabilities | <u>647,667</u> | <u>497,831</u> |
| Retained earnings | <u>\$4,363,464</u> | <u>\$3,658,953</u> |

The Township also provides health and life insurance coverage to elected officials through a private carrier.



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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fearing Township
Washington County
RR10 Box 11
Marietta, Ohio 45750

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, 2001 and 2000 and have issued our report thereon dated June 14, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-41084-001 through 2001-41084-004 and 2001-41084-009. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-41084-005 through 2001-41084-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider all of the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 14, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 14, 2002

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41084-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no subdivision or taxing unit shall make any contact or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- a. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- b. Amounts of less than \$1000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Liabilities, contracts, and open purchase commitments were not certified by the Clerk prior to the obligation. Although all tested expenditures were certified by the Clerk using a "Then and Now Certificate" language, the expenditures in excess of \$1,000 were not subsequently approved individually by resolution by the Board of Trustees within the aforementioned 30-day time period.

We recommend the Township Clerk certify the availability of funds prior to the cash expenditure being made. Where prior certification is not practicable, we encourage the Clerk to properly utilize "then and now" certificates as outlined above. The use of "then and now" certificates should be the exception not the rule for prior certification.

FINDING 2001-41081-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

In 2000, the Miscellaneous Special Revenue Fund was found to have expenditures which exceeded appropriations by \$46,000.

We recommend the Township officials review the appropriation balances each month and approve appropriation amendments as needed, prior to expending funds in excess of existing appropriations.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING 2001-41084-003

Noncompliance Citation

Ohio Rev. Code § 5705.09 requires, in part, each subdivision to establish a bond retirement fund for the retirement of serial bonds, notes, or certificates of indebtedness. It further requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

During our review of the ledgers and annual financial reports, we noted the Township did not establish a bond retirement fund for the retirement of capital facilities bonds. Additionally, the Township received a grant from the Ohio Department of Natural Resources to be used for a specific project, however, the Township commingled this money with other funds in a Capital Projects Fund rather than establishing a separate Special Revenue Fund. Failing to establish proper funds could result in restricted monies being used for illegal purposes and increases the likelihood that errors could occur and remain undetected.

We recommend the Township establish all required funds and post money received only to funds consistent with the money's intended purpose. New funds established should be approved by the Board of Trustees by resolution and documented in the minutes. The financial statements have been adjusted in the audit report to reflect the activity in the proper funds.

FINDING 2001-41084-004

Noncompliance Citation

A Resolution Providing for the Issuance and Sale of Bonds, dated November 3, 2000 requires, in part, for the Township to levy a tax annually during the period the Bonds are outstanding in an amount sufficient to pay the debt charges on the Bonds when due, which tax shall not be less than the interest and sinking fund tax required by Section 11 of Article XII of the Ohio Constitution. The Resolution further requires the proceeds of the tax levy shall be placed in the Bond Retirement Fund, which is irrevocably pledged for the payment of the debt charges on the Bonds when and as the same fall due.

Testing of debt covenants revealed the Township did not establish a Bond Retirement Fund, as required. Further, the Township did not post the proceeds of taxes designated for payment of debt into a Bond Retirement Fund, but instead paid the interest and principal of bonds due from the General and Gasoline Tax Funds. These conditions could cause money designated for bond retirement to be used for other purposes. Noncompliance with debt covenants could cause the Township to be placed into default by the holders of the bonds.

We recommend the Township establish, by resolution, a Bond Retirement Fund. We also recommend the Township have sufficient taxes to cover debt charges placed into the Bond Retirement Fund from the County Auditor tax settlements. We have created a Bond Retirement Fund in the audited financial statements and have adjusted revenues from the General and Gasoline Tax Funds in sufficient amounts to cover the debt payments that should have been reflected in the Bond Retirement Fund.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING 2001-41084-005

Material Weakness

Our review of the depositing procedures reflected that significant amounts of money collected were not deposited in a timely manner by the Clerk or adequately safeguarded. Numerous instances were noted where significant amounts of Township monies were not deposited within a seven day period. The Township had no safeguarding procedures in place to protect monies until the bank deposit was made.

As a result, the Township did not earn interest on undeposited monies and there was increased risk of the loss or theft of these monies.

We recommend that monies received by the Township be deposited on a timely basis or adequately safeguarded until the bank deposit is made.

FINDING 2001-41084-006

Material Weakness

A receipts ledger was not accurately or completely maintained by the Township.

As a result, there was no method established whereby Township Trustees and the Clerk could compare budgeted receipts to actual receipts and file any amended certificates of estimated resources when required. Additionally, due to this condition, we were unable to determine if receipts on the annual financial report were accurately classified. Receipts had to be reclassified for the entire audit period and these reclassifications are reflected in the financial statements.

We recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Township operations and in preparing the Annual Financial Report.

FINDING 2001-41084-007

Material Weakness

The appropriations ledger was not accurately or completely maintained by the Township.

As a result, there was no method established whereby Township management could monitor the budgetary aspect of expenditures being made and the year-to-date expenditures made for any particular expenditure function. In addition, the expenditure amounts in the Annual Financial Report did not reconcile to the appropriations ledger and we were unable to determine if expenditures were accurately classified. In addition, a proper comparison of appropriations and expenditures could not be made. Expenditures had to be reclassified for the entire audit period and these reclassifications are reflected in the financial statements. We charged the Township an additional \$650 to reclassify disbursements, and the receipts described above in Finding 2001-41084-006.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING 2001-41084-007 (Continued)

Material Weakness (Continued)

We recommend budgeted and actual expenditures be posted to the appropriation ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(3) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Township operations and in preparing the Annual Financial Report.

FINDING 2001-41084-008

Material Weakness

During our review of the Township's payroll system, we noted the following conditions:

- 1) Personnel files were not established for each employee.
- 2) Payroll ledgers did not contain check numbers.
- 3) Withholdings were not always remitted to the applicable agencies in a timely manner.
- 4) Withholding forms were not on file for employees.
- 5) Amounts shown in payroll ledger were not always in agreement with vouchers and cancelled checks.

These conditions could result in employees being compensated incorrectly, incorrect compensated leave being taken by an employee and/or incorrect payment of accumulated leave to an employee upon termination of employment, late penalties, interest and fees being incurred by the Township, and/or errors in withholdings remitted remaining undetected.

We recommend the following:

- 1) Personnel files should be established and maintained for each employee and should contain pertinent information including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, policy acknowledgment forms, and evaluations.
- 2) Payroll ledgers should be maintained accurately for all employees and should include the check number, gross pay amount, withholdings and net pay for each check issued. The payroll ledger should be used for posting expenditure amounts to the appropriation ledger and cashbook.

FEARING TOWNSHIP
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

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

FINDING 2001-41084-009

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. In addition, money that is paid into a fund must be used only for the purposes for which such fund has been established.

Numerous receipts and expenditures were recorded in improper funds. Listed below are the adjustments required for each applicable fund:

| <u>Fund</u> | <u>Against</u> | <u>In Favor Of</u> |
|---------------------------|----------------|--------------------|
| General | \$2,164 | \$ 0 |
| Motor Vehicle License Tax | 970 | |
| Gasoline Tax | | 827 |
| Road and Bridge | | 530 |
| Fire District | | 1,295 |
| Road District | | 482 |

Management has adjusted these amounts to the accounting records and these adjustments are reflected in the financial statements.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|--|
| 1999-41084-001 | Revised Code 5705.41(D) – failure to certify funds | No | Not corrected. We have reissued finding as 2001-41084-001 in the GAGAS letter. |
| 1999-41084-002 | Revised Code 5705.41(B) – expenditures in excess of appropriations | No | Not corrected. We have reissued as Finding 2001-41084-002 in the GAGAS letter. |
| 1999-41084-003 | Revised Code 5705.36 – failure to obtain amended certificates | Yes | Finding No Longer Valid |
| 1999-41084-004 | Revised Code 5705.09 – failure to establish proper funds | No | Not Corrected. We have reissued as Finding 2001-41084-003 in the GAGAS letter. |
| 1999-41084-005 | Revised Code 5705.10 – failure to credit revenue derived from a special levy to special funds | No | Partially corrected. We have reissued as Finding 2001-41084-009 in the GAGAS letter. |
| 1999-41084-006 | Reportable Condition-failure to deposit receipts timely | No | Not Corrected We have reissued as Finding 2001-41084-005 in the GAGAS letter. |
| 1999-41084-007 | Reportable Condition-failure to remit checks to vendors in a timely manner. | No | Partially Corrected. We have reissued as a Management Letter recommendation. |
| 1999-41084-008 | Reportable Condition-failure to maintain proper financial and budgetary records | No | Not Corrected. We have reissued as Findings 2001-41084-006, 2001-41084-007, and 2001-41084-008 in the GAGAS letter. |
| 1999-41084-009 | Reportable Condition-pre-signing blank checks by the Board | Corrected | |
| 1999-41084-010 | Reportable Condition-vouchers did not contain invoices or other supporting documentation | Corrected | |



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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
JULY 25, 2002**