

**FEARING TOWNSHIP
WASHINGTON COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Fearing Township
550 Grub Road
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of Fearing Township, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Fearing Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 21, 2014

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**FEARING TOWNSHIP
WASHINGTON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

May 23, 2014

Fearing Township
Washington County
550 Grub Road
Marietta, Ohio 45750

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of **Fearing Township**, Washington County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 of 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 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 opinion.

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

As described in Note 1B 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or 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 combined cash balances of Fearing Township, Washington County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 16,665	\$ 135,559	\$ -	\$ 152,224
Intergovernmental	52,278	118,940	-	171,218
Earnings on Investments	280	136	-	416
Miscellaneous	2,768	4,357	-	7,125
<i>Total Cash Receipts</i>	<u>71,991</u>	<u>258,992</u>	<u>-</u>	<u>330,983</u>
Cash Disbursements				
Current:				
General Government	34,881	25,540	-	60,421
Public Safety	-	40,986	-	40,986
Public Works	477	132,687	-	133,164
Health	9,864	-	-	9,864
Conservation-Recreation	743	-	-	743
Debt Service:				
Principal Retirement	-	-	37,701	37,701
Interest and Fiscal Charges	-	-	605	605
<i>Total Cash Disbursements</i>	<u>45,965</u>	<u>199,213</u>	<u>38,306</u>	<u>245,178</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,026</u>	<u>59,779</u>	<u>(38,306)</u>	<u>85,805</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	2,989	25,654	28,643
Transfers Out	(25,654)	(2,989)	-	(28,643)
Other Financing Sources	-	500	-	500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,654)</u>	<u>500</u>	<u>25,654</u>	<u>500</u>
<i>Net Change in Fund Cash Balances</i>	372	60,279	(12,652)	47,999
<i>Fund Cash Balances, January 1</i>	<u>147,709</u>	<u>133,197</u>	<u>12,652</u>	<u>293,558</u>
Fund Cash Balances, December 31				
Restricted	-	193,476	-	193,476
Unassigned	148,081	-	-	148,081
<i>Fund Cash Balances, December 31</i>	<u>\$ 148,081</u>	<u>\$ 193,476</u>	<u>\$ -</u>	<u>\$ 341,557</u>

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

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 16,581	\$ 63,588	\$ 13,450	\$ 93,619
Intergovernmental	108,512	150,662	-	259,174
Earnings on Investments	81	44	-	125
Miscellaneous	4,702	4,088	-	8,790
<i>Total Cash Receipts</i>	<u>129,876</u>	<u>218,382</u>	<u>13,450</u>	<u>361,708</u>
Cash Disbursements				
Current:				
General Government	37,698	25,828	-	63,526
Public Safety	-	35,945	-	35,945
Public Works	400	118,368	-	118,768
Health	8,488	-	-	8,488
Human Services	10,000	-	-	10,000
Conservation-Recreation	2,015	-	-	2,015
Debt Service:				
Principal Retirement	-	-	17,706	17,706
Interest and Fiscal Charges	-	-	1,976	1,976
<i>Total Cash Disbursements</i>	<u>58,601</u>	<u>180,141</u>	<u>19,682</u>	<u>238,742</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>71,275</u>	<u>38,241</u>	<u>(6,232)</u>	<u>122,966</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	-	6,687	6,687
Transfers Out	(6,687)	-	-	(6,687)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,687)</u>	<u>-</u>	<u>6,687</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	64,588	38,241	455	103,284
<i>Fund Cash Balances, January 1</i>	<u>83,121</u>	<u>94,956</u>	<u>12,198</u>	<u>190,275</u>
Fund Cash Balances, December 31				
Restricted	-	133,197	12,652	145,849
Unassigned	147,709	-	-	147,709
<i>Fund Cash Balances, December 31</i>	<u>\$ 147,709</u>	<u>\$ 133,197</u>	<u>\$ 12,652</u>	<u>\$ 293,558</u>

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

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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, Ohio (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. Deposits

The Township maintains its deposits in a single, interest bearing checking account.

D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Special Levy Fire Fund – This fund receives property tax money for operational expenses of the volunteer fire department.

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Township had the following significant Debt Service Fund:

Debt Service Fund – This fund receives tax money to pay for debt.

E. 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. Appropriations lapse at year end.

2. 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.

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 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. 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.

3. 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.

4. 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* amount represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitles 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
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012	
Demand Deposits	\$ 341,557	\$ 293,558	

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,637	\$ 71,991	\$ 2,354
Special Revenue	237,741	262,481	24,740
Debt Service	38,306	25,654	(12,652)
Total	\$ 345,684	\$ 360,126	\$ 14,442

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 132,889	\$ 71,619	\$ 61,270
Special Revenue	332,777	202,202	130,575
Debt Service	38,306	38,306	-
Total	\$ 503,972	\$ 312,127	\$ 191,845

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 121,099	\$ 129,876	\$ 8,777
Special Revenue	205,865	218,382	12,517
Debt Service	18,187	20,137	1,950
Total	\$ 345,151	\$ 368,395	\$ 23,244

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 131,796	\$ 65,288	\$ 66,508
Special Revenue	300,821	180,141	120,680
Debt Service	30,384	19,682	10,702
Total	\$ 463,001	\$ 265,111	\$ 197,890

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

7. DEBT

The Township had debt outstanding from December 31, 2011 for the purchase of a truck for Township road maintenance. The Township paid off this debt in 2013 and currently has no debt obligations.

8. 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.

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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**

May 23, 2014

Fearing Township
Washington County
550 Grub Rd.
Marietta, Ohio 45750

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Fearing Township**, Washington County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 23, 2014, 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.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government'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. We consider finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we communicated to the Township's management in a separate letter dated May 23, 2014.

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 communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FEARING TOWNSHIP
WASHINGTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

Posting Receipts

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts were not always posted correctly. The following posting errors were noted:

- In 2012, Manufactured Homestead Exemption receipts were posted in Property & Other Local Taxes in the General Fund, Road and Bridge Fund, Cemetery Fund, and Road District Special Levy Fund rather than Intergovernmental.
- In 2013, Manufactured Home Rollback receipts were posted in Property & Other Local Taxes in the General Fund, Road and Bridge Fund, Fire District Special Levy Fund, and Road District Special Levy Fund rather than Intergovernmental.
- In 2012, the State Fire Marshall Equipment Grant receipt was posted as an Extraordinary Item in the General Fund rather than Intergovernmental.
- In 2013, Permissive Tax receipts were posted as Intergovernmental in the Permissive Tax Fund rather than Property & Other Local Taxes.

Not posting receipts accurately resulted in the financial statements requiring reclassification entries. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Administrative Code and the Ohio Township Handbook for guidance to determine the proper establishment of receipt accounts and posting of receipts.

Managements Response – We did not receive a response from officials to this finding.

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Dave Yost • 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 4, 2014**