



**SPENCER TOWNSHIP  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**



**Mary Taylor, CPA**  
Auditor of State



SPENCER TOWNSHIP  
LUCAS COUNTY

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# Mary Taylor, CPA

Auditor of State

Spencer Township  
Lucas County  
P.O. Box 28  
Holland, Ohio 43528-0028

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

September 12, 2008

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Spencer Township  
Lucas County  
P.O. Box 28  
Holland, Ohio 43528-0028

To the Board of Trustees:

We have audited the accompanying financial statements of Spencer Township, Lucas County, (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 Spencer Township, Lucas County, 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 September 12, 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

September 12, 2008



**SPENCER TOWNSHIP  
LUCAS 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**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$100,465	\$104,676	\$205,141
Charges for Services		44,580	44,580
Licenses, Permits, and Fees	6,934		6,934
Intergovernmental	59,006	119,786	178,792
Earnings on Investments	406	201	607
Miscellaneous	11,500	3,897	15,397
	<u>178,311</u>	<u>273,140</u>	<u>451,451</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	144,406	34,880	179,286
Public Safety		69,338	69,338
Public Works	3,000	62,981	65,981
Capital Outlay	7,802	28,151	35,953
Debt Service:			
Redemption of Principal	21,018	52,088	73,106
Interest and Other Fiscal Charges	3,869	9,207	13,076
	<u>180,095</u>	<u>256,645</u>	<u>436,740</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(1,784)</u>	<u>16,495</u>	<u>14,711</u>
Fund Cash Balances, January 1	<u>1,119</u>	<u>69,441</u>	<u>70,560</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$665)</b></u>	<u><b>\$85,936</b></u>	<u><b>\$85,271</b></u>

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

**SPENCER TOWNSHIP  
LUCAS 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	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$91,251	\$107,936		\$199,187
Charges for Services		22,695		22,695
Licenses, Permits, and Fees	7,781			7,781
Intergovernmental	59,688	107,198	\$12,089	178,975
Earnings on Investments	542	237		779
Miscellaneous	10,597	2,568		13,165
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	169,859	240,634	12,089	422,582
<b>Cash Disbursements:</b>				
Current:				
General Government	143,367	19,495		162,862
Public Safety		62,217		62,217
Public Works	2,209	52,045		54,254
Health	2,177			2,177
Capital Outlay	5,728	26,711	12,089	44,528
Debt Service:				
Redemption of Principal	19,015	51,258		70,273
Interest and Other Fiscal Charges	5,003	11,022		16,025
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	177,499	222,748	\$12,089	412,336
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(7,640)	17,886		10,246
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	8,759	51,555		60,314
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$1,119</b>	<hr/> <b>\$69,441</b>	<hr/>	<hr/> <b>\$70,560</b>

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

**SPENCER TOWNSHIP  
LUCAS 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 Spencer Township, Lucas 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, fire protection, and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

Fire District Fund - This fund receives property tax money for maintenance and operation of the Township Fire Department.

**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**3. Capital Project Fund**

This fund accounts for Ohio Public Works Commission receipts restricted for major road reconstruction projects.

**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 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.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**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.

**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

**2. 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:

	2007	2006
Demand deposits	\$85,271	\$70,560

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

**3. BUDGETARY ACTIVITY**

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

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,000	\$178,311	(\$8,689)
Special Revenue	256,150	273,140	16,990
Total	\$443,150	\$451,451	\$8,301

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,634	\$180,095	\$13,539
Special Revenue	275,412	256,645	18,767
Total	\$469,046	\$436,740	\$32,306

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,560	\$169,859	\$15,299
Special Revenue	196,044	240,634	44,590
Capital Projects		12,089	12,089
Total	\$350,604	\$422,582	\$71,978

**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,697	\$177,499	\$3,198
Special Revenue	251,688	222,748	28,940
Capital Projects		12,089	(12,089)
Total	\$432,385	\$412,336	\$20,049

Contrary to Ohio law, total appropriations exceeded total estimated resources for the General Fund, and the Fire District Fund by \$17,337 and \$4,105 respectively, at December 31, 2006. Also contrary to Ohio law, at December 31, 2007 and 2006, respectively, the Township erroneously posted \$11,470 and \$11, 775 of property and other local tax monies, due to the Fire District Fund, in the General Fund.

In 2006, disbursements in the Capital Projects Fund were not appropriated causing expenditures to exceed appropriations by \$12,089, contrary to Ohio law.

**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.

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, 2007 was as follows:

	Principal	Interest Rate
Bank Loan - Town Hall	\$ 77,518	3.50%
Bank Loan - Fire Station	60,941	3.50%
Bank Loan - Payoff Line of Credit	79,830	5.00%
Bank Loan - Schwamberger Road Project	47,503	4.85%
Total	\$ 265,792	

**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

**5. DEBT – (CONTINUED)**

Township entered into note agreements with Fifth Third Bank to finance the renovation of the Township's administrative offices and construction of a new maintenance building; renovation of the Township fire station; payoff of a line of credit; and, reconstruction of Schwamberger Road. The Township's taxing authority collateralized the notes.

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

Year ending December 31:	Town Hall	Fire Station	Line of Credit	Schwamberger Road Project
2008	\$ 32,656	\$ 25,540	\$ 19,512	\$ 8,438
2009	32,656	25,540	19,512	8,438
2010	15,846	12,737	19,512	8,438
2011			19,512	8,438
2012			11,273	8,438
2013 – 2014				13,291
Total	<u>\$ 81,158</u>	<u>\$ 63,817</u>	<u>\$ 89,321</u>	<u>\$ 55,481</u>

**6. 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.

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

**7. RISK MANAGEMENT – (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>



**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

**7. RISK MANAGEMENT – (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 \$15,000. 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.

<b><u>Contributions to OTARMA</u></b>	
2005	\$21,208
2006	\$20,591
2007	\$16,383

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*

Spencer Township  
Lucas County  
P.O. Box 28  
Holland, Ohio 43528-0028

To the Board of Trustees:

We have audited the financial statements of Spencer Township, Lucas County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 12, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township 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: 2007-001, 2007-002, 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly would not disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated September 12, 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 to 2007-003.

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 September 12, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

September 12, 2008

**SPENCER TOWNSHIP  
LUCAS 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 and Material Weakness**

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source and for which the law states shall be used for a particular purpose shall be credited to a special fund for such purpose.

In 2007, the Township financial records reflect \$11,113 in intergovernmental revenues and \$357 in property and other local taxes revenues posted to the General Fund, which should have been posted to the Fire District Fund.

In 2006, the Township financial records reflect \$11,350 in intergovernmental revenues and \$425 in property and other local taxes revenues posted to the General Fund which should have been posted to the Fire District Fund. The Township Fiscal Officer posted these adjustments to the Township records, which are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Fiscal Officer and the Board of Trustees review individual postings to the Township accounts to ensure the transactions are posted to the correct fund and account.

**FINDING NUMBER 2007-002**

**Noncompliance Citation and Material Weakness**

In 2006 the Township was the beneficiary of \$12,089 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Township. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund. These funds along with all other disbursements in the Capital Projects funds were not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$12,089, contrary to R.C. 5705.41(B), which requires all expenditures to be appropriated.

We recommend the Township record all benefits received from state or federal grants as a memo receipt and expenditure on the Township's records and appropriate funds for the expenditures. In addition, Township management should review Auditor of State Bulletins 2000-008 and 2002-004.

### **FINDING NUMBER 2007-003**

#### **Noncompliance Citation**

Ohio Revised Code § 5705.39 states appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the budget commission. The Township appropriated funds in excess of estimated resources for 2006 in the General and Fire District funds by \$17,377 and \$4,105 respectively. Also the Township had sufficient actual revenues that they could have increased the estimated resources in the Fire District Fund.

The failure to limit appropriations by estimated resources could lead to overspending and cause a deficit in the fund balance.

We recommend when modifying appropriations for each fund, the Township review estimated resources to ensure the total appropriations do not exceed the available resources certified by the Budget Commission.

### **FINDING NUMBER 2007-004**

#### **Posting of Revenues and Expenditures/Material Weakness**

The Township's annual financial reports contained numerous errors requiring adjustments and reclassifications to the financial statements. The following errors were noted during the audit:

- General Fund – Beginning Balance didn't agree to prior audit report ending balances. Liquor permits fees from State, rentals, and refunds posted as Licenses, Permits, and Fees should have been classified as Intergovernmental and Miscellaneous receipts. Receipts from Other Governmental Entities were posted as Other Financing Sources rather than classified as Intergovernmental receipts. Refunds and donations were posted as intergovernmental revenue rather than miscellaneous revenue; and personal property tax reimbursements, electric deregulation property tax replacement, and rollback, homestead exemption receipts were posted as property and other local taxes rather than intergovernmental revenue. Debt payments were posted as General Government, Health, or Capital Outlay rather than as Redemption of Principal and Interest and Other Fiscal Charges. These errors resulted in adjustments and/or reclassification entries totaling \$124,584.
- Fire District Fund – Beginning Balance didn't agree to prior audit report ending balances. This error resulted in an adjustment of \$1,718.
- Special Revenue Funds – EMS transportation fees, fire report fee, fire hall rentals, and donations were posted as intergovernmental receipts rather than charges for services and miscellaneous receipts. Fire Hall rentals and fire contracts were posted as intergovernmental revenue rather than miscellaneous revenue and charges for services respectively; personal property tax reimbursements, and rollback, homestead exemption receipts were posted as property and other local taxes rather than intergovernmental revenue. Debt payments were posted as General Government, Public Works, or Capital Outlay rather than as Redemption of Principal and Interest and Other Fiscal Charges. These errors resulted in adjustments and/or reclassification entries totaling \$124,584.

**FINDING NUMBER 2007-004  
(Continued)**

As a result, the financial statements did not correctly reflect the financial activity of the Township. Inaccurate posting of transactions impedes the ability of the Board of Trustees to accurately assess the financial status of the Township.

We recommend the Fiscal Officer attend training sessions offered by the State of Ohio for Township Fiscal Officers, who utilize UAN. Further, we recommend the Fiscal Officer utilize the UAN Manual to determine the proper fund/account code to use when posting disbursements. Also, the Township should adopt policies and procedures including a final review of the financial statements by the Board of Trustees to ensure errors and omissions are detected and corrected.

**Officials' Response:**

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

**SPENCER TOWNSHIP  
LUCAS 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><i>Explain</i></b>
2005-001	<b>Ohio Revise Code 5705.38(A) and 5705.41(B)</b> – Failure to pass an appropriations measure and unlawfully making expenditures when an appropriations measure has not been passed.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**SPENCER TOWNSHIP**

**LUCAS 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  
OCTOBER 16, 2008**