



Dave Yost • Auditor of State

SPENCER TOWNSHIP
LUCAS COUNTY

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Dave Yost • Auditor of State

Spencer Township
Lucas County
630 N. Mielke Road, 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 14, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Spencer Township
Lucas County
630 N. Mielke Road, PO Box 28
Holland, Ohio 43528-0028

To the Board of Trustees:

We have audited the accompanying financial statements of Spencer Township, Lucas County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Spencer Township, Lucas County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1E, during 2011 Spencer Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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.



Dave Yost
Auditor of State

December 14, 2012

**SPENCER TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$83,939	\$148,188	\$232,127
Charges for Services		38,845	38,845
Licenses, Permits and Fees	9,983	172	10,155
Intergovernmental	90,184	116,079	206,263
Miscellaneous	2,650	6,847	9,497
<i>Total Cash Receipts</i>	<u>186,756</u>	<u>310,131</u>	<u>496,887</u>
Cash Disbursements			
Current:			
General Government	74,860	32,224	107,084
Public Safety		139,511	139,511
Public Works	3,731	35,827	39,558
Capital Outlay	42,437	29,726	72,163
Debt Service:			
Principal Retirement	16,838	20,912	37,750
Interest and Fiscal Charges	1,048	4,563	5,611
<i>Total Cash Disbursements</i>	<u>138,914</u>	<u>262,763</u>	<u>401,677</u>
<i>Excess of Receipts Over Disbursements</i>	<u>47,842</u>	<u>47,368</u>	<u>95,210</u>
Other Financing Receipts			
Sale of Capital Assets		2,276	2,276
<i>Net Change in Fund Cash Balances</i>	47,842	49,644	97,486
<i>Fund Cash Balances, January 1</i>	<u>66,734</u>	<u>83,296</u>	<u>150,030</u>
Fund Cash Balances, December 31			
Restricted		132,940	132,940
Assigned	6,083		6,083
Unassigned	108,493		108,493
<i>Fund Cash Balances, December 31</i>	<u>\$114,576</u>	<u>\$132,940</u>	<u>\$247,516</u>

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$79,762	\$156,340	\$236,102
Charges for Services		26,516	26,516
Licenses, Permits, and Fees	4,472	599	5,071
Intergovernmental	83,454	147,472	230,926
Miscellaneous	1,216	12,880	14,096
<i>Total Cash Receipts</i>	<u>168,904</u>	<u>343,807</u>	<u>512,711</u>
Cash Disbursements:			
Current:			
General Government	89,805	30,203	120,008
Public Safety		146,511	146,511
Public Works	3,669	72,118	75,787
Capital Outlay	600	122,605	123,205
Debt Service:			
Redemption of Principal	21,465	41,900	63,365
Interest and Other Fiscal Charges	1,136	6,307	7,443
<i>Total Cash Disbursements</i>	<u>116,675</u>	<u>419,644</u>	<u>536,319</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,229</u>	<u>(75,837)</u>	<u>(23,608)</u>
Other Financing Receipts:			
Sale of Notes		85,603	85,603
<i>Net Change in Fund Cash Balances</i>	52,229	9,766	61,995
<i>Fund Cash Balances, January 1</i>	<u>14,505</u>	<u>73,530</u>	<u>88,035</u>
<i>Fund Cash Balances, December 31</i>	<u>\$66,734</u>	<u>\$83,296</u>	<u>\$150,030</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$1,730</u>	<u>\$6,428</u>	<u>\$8,158</u>

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 the Spencer Township, Lucas 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, fire protection and emergency medical services

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

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

B. Accounting Basis

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire District Fund - This fund receives property tax money for maintaining and operating the Township Fire Department.

D. Budgetary Process

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. Unencumbered 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 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 carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

E. Fund Balance

For 2011, the Township has implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, 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.

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.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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* amounts 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.

F. 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.

G. 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.

2. Equity in Pooled Deposits

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$247,516</u>	<u>\$150,030</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,305	\$186,756	\$25,451
Special Revenue	327,000	312,407	(14,593)
Total	\$488,305	\$499,163	\$10,858

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$228,309	\$144,997	\$83,312
Special Revenue	406,868	289,737	117,131
Total	\$635,177	\$434,734	\$200,443

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,000	\$168,904	(\$11,096)
Special Revenue	437,603	429,410	(8,193)
Total	\$617,603	\$598,314	(\$19,289)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$196,193	\$118,405	\$77,788
Special Revenue	500,244	426,072	74,172
Total	\$696,437	\$544,477	\$151,960

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.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax (Continued)

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, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan - Payoff Line of Credit	\$11,089	5.00%
Bank Loan - Schwamberger Road Project	20,388	4.85%
General Obligation Notes	<u>57,763</u>	3.00%
Total	<u><u>\$89,240</u></u>	

Township entered into note agreements with Fifth Third Bank to finance the payoff of a line of credit and reconstruction of Schwamberger Road. The Township's taxing authority collateralized the notes.

The Township authorized on February 23, 2010 the execution of a Master-Lease-Purchase agreement for the purpose of acquiring a Ford E-450 Type III ambulance. As collateral security for secured obligations, the Township (lessee) grants to Republic First National Corporation (lessor), now assigned to People's Bank Co, a first priority security interest in any and all of the equipment.

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

Year ending December 31:	Schwamberger		
	<u>Line of Credit</u>	<u>Road Project</u>	<u>Ambulance</u>
2012	\$11,273	\$8,438	\$15,410
2013		8,438	15,410
2014		8,438	15,410
2015			15,410
2016			<u>2,568</u>
Total	<u><u>\$11,273</u></u>	<u><u>\$25,314</u></u>	<u><u>\$64,208</u></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 2011 and 2010, 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, 2011.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$13,823	\$11,241

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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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Dave Yost • 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
630 N. Mielke Road, P.O. Box 28
Holland, Ohio 43528-0028

To the Board of Trustees:

We have audited the financial statements of Spencer Township, Lucas County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated December 14, 2012 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 and in 2011 the Township implemented Governmental Accounting Standards Board Statement 54. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of 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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 14, 2012.

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



Dave Yost
Auditor of State

December 14, 2012

**SPENCER TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness - Monitoring of Financial Activity

Inaccurate posting of transactions impedes the ability of the Township Management to accurately assess the financial status of the Township. We noted examples such as the following during our audit:

- Intergovernmental receipts in the amount of \$46,703 in 2011 and \$49,517 in 2010 for the General Fund were misclassified as Property and Other Local Tax receipts.
- Miscellaneous receipts totaling \$1,319 in 2011 for the General Fund were misclassified in the amounts of \$1,169 as Earnings on Investments and \$150 as Other Financing Sources.
- Capital Outlay and General Government disbursements in the amounts of \$27,576 and \$352 in 2011 for the General Fund were misclassified as Conservation/Recreation disbursements and Other Financing Uses respectively.
- Intergovernmental receipts in the amount of \$25,868 in 2011 and \$29,964 in 2010 for the Fire District Fund were misclassified as Property and Other Local Tax receipts. Also, Intergovernmental receipts totaling \$24,382 in 2010 for the Fire District Fund were misclassified in the amounts of \$19,182 as Miscellaneous receipts and \$5,200 as Other Debt Proceeds.
- Capital Outlay disbursements in the amount of \$1,468 in 2010 for the Motor Vehicle License Tax and Permissive Motor Vehicle License Tax Funds were misclassified in the amounts of \$935 as Redemption of Principal and \$533 as Interest and Other Fiscal Charges.
- Sale of Notes and Capital Outlay disbursements in 2010 were understated by \$85,603 in the Fire District Fund for unrecorded loan activity related to the purchase of an ambulance.

As a result of the errors noted above, the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements (none of these would have affected the fund balances) have been adjusted to reflect these amounts in the correct accounts.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Township Handbook Chart of Accounts issued by the Auditor of State. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and management to ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2011-002

Noncompliance Citation

Internal Revenue Code Chapter 26 §3403 states the employer shall be liable for the payment of the tax required to be deducted and withheld. The Fiscal Officer did not report all of the Federal Income Tax and Medicare withholding which resulted in an under payment of \$32,501 for the final three quarters of 2010 and the entire year for 2011. We recommend the Fiscal Officer review the Form 941 and compare it to the quarterly payroll report to determine that all of the withholdings are paid. The Township paid the back taxes and related penalties and interest in October 2012.

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, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material weakness for errors in posting of Revenues and Expenditures.	No	Reissued as Finding 2011-001 In this report.

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Dave Yost • 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
DECEMBER 31, 2012**