



OHIO AUDITOR OF STATE
KEITH FABER

SPENCER TOWNSHIP
LUCAS COUNTY

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INDEPENDENT AUDITOR'S REPORT

Spencer Township
Lucas County
630 North Mielke Road
P.O. Box 28
Holland, Ohio 43528-0028

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Spencer Township, Lucas County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 14 to the financial statements, for the year ended December 31, 2022, the Township restated the beginning fund balance in the General Fund to properly report cash balance. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.

KEITH FABER
Ohio Auditor of State



Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 21, 2025

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Spencer Township
Lucas County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2023

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|------------------|------------------|-----------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$93,252 | \$94,117 | | \$187,369 |
| Charges for Services | | 2,400 | | 2,400 |
| Licenses, Permits and Fees | 5,838 | | | 5,838 |
| Intergovernmental | 1,090,523 | 207,497 | | 1,298,020 |
| Earnings on Investments | 116,537 | 6,563 | | 123,100 |
| Miscellaneous | 18,238 | | | 18,238 |
| <i>Total Cash Receipts</i> | <i>1,324,388</i> | <i>310,577</i> | | <i>1,634,965</i> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 365,434 | 4,555 | | 369,989 |
| Public Safety | | 127,869 | | 127,869 |
| Public Works | 294,063 | 282,575 | | 576,638 |
| Conservation-Recreation | 25,935 | | | 25,935 |
| Capital Outlay | 97,506 | 75,228 | | 172,734 |
| Debt Service: | | | | |
| Principal Retirement | | 9,536 | | 9,536 |
| <i>Total Cash Disbursements</i> | <i>782,938</i> | <i>499,763</i> | | <i>1,282,701</i> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <i>541,450</i> | <i>(189,186)</i> | | <i>352,264</i> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 161,458 | | 161,458 |
| Transfers Out | (161,458) | | | (161,458) |
| Sale of Capital Assets | | | \$27,502 | 27,502 |
| Other Financing Uses | (261,375) | | | (261,375) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <i>(422,833)</i> | <i>161,458</i> | <i>27,502</i> | <i>(233,873)</i> |
| <i>Net Change in Fund Cash Balances</i> | <i>118,617</i> | <i>(27,728)</i> | <i>27,502</i> | <i>118,391</i> |
| <i>Fund Cash Balances, January 1</i> | <i>2,561,512</i> | <i>495,930</i> | <i>82,220</i> | <i>3,139,662</i> |
| <i>Fund Cash Balances, December 31</i> | <i>\$2,680,129</i> | <i>\$468,202</i> | <i>\$109,722</i> | <i>\$3,258,053</i> |

See accompanying notes to the basic financial statements

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 and cemetery maintenance. The Township contracts with Springfield Township to provide fire services and to provide ambulance services. The Township's police protection is provided by the Lucas County Sheriff's Department.

Public Entity Risk Pool and Joint Economic Development Zone

The Township participated in the Ohio Township Risk Management Authority (OTARMA) public entity risk pool and a joint economic development zone agreement with the Village of Whitehouse. Notes 7 and 12 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are all organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Fire District Fund The Fire District Fund accounts for and reports property tax money restricted for fire services and ambulance services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Miscellaneous Capital Project Fund The Capital Project Fund receives sale of capital asset revenue.

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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.

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 2023 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Township's appropriations exceeded amount certified within Ohio Revised Code requirements.

Contrary to Ohio law, the Township did not pass timely appropriation measures.

Contrary to Ohio law, the Township made purchases without following bidding requirements.

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

| <u>2023 Budgeted vs. Actual Receipts</u> | | | |
|--|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,215,000 | \$1,324,388 | \$109,388 |
| Special Revenue | 244,600 | 472,035 | 227,435 |
| Capital Projects | 15,000 | 27,502 | 12,502 |
| Total | \$1,474,600 | \$1,823,925 | \$349,325 |

| <u>2023 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | | |
|--|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$4,910,905 | \$1,206,619 | \$3,704,286 |
| Special Revenue | 722,273 | 500,069 | 222,204 |
| Capital Projects | 113,420 | 113,420 | 113,420 |
| Total | \$5,746,598 | \$1,706,688 | \$4,039,910 |

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

| | <u>2023</u> |
|-----------------|-------------|
| Demand deposits | \$3,258,053 |

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Township.

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

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 7 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| <u>2023</u> | |
|-----------------------|--------------|
| Cash and investments | \$33,494,457 |
| Actuarial liabilities | \$10,885,549 |

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2023. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2023.

Note 10 – Debt

Debt outstanding at December 31, 2023, was as follows:

| | Principal | Interest Rate |
|-----------|-----------|---------------|
| OPWC Loan | \$61,983 | 0.00% |

The Ohio Public Works Commission (OPWC) loan #CL23U Schwamberger Road Phase 2 and Frankfort Road relates to a road resurfacing and improvements in the Township. OPWC loaned the Township \$95,359 for this project. The Township will repay the loan in semiannual installments of \$4,768 over 10 years starting in January 2020. The loan is collateralized by undivided local government funds.

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Amortization

Amortization of the above debt is scheduled as follows:

| Year Ending December 31: | OPWC Loan |
|-----------------------------|------------------------|
| 2024 | \$9,536 |
| 2025 | 9,536 |
| 2026 | 9,536 |
| 2027 | 9,536 |
| 2028 | 9,536 |
| 2029-2030 | <u>14,303</u> |
| Total | <u><u>\$61,983</u></u> |

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | Special Revenue | | Total |
|--------------------------|--------------------|----------|-------|
| Outstanding Encumbrances | General | Revenue | |
| \$ 848 | \$ 306 | \$ 1,154 | |

The fund balance of special revenue funds is either restricted or committed. The fund balance of the capital projects fund are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects fund would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Jointly Governed Organization

Joint Economic Development Zone

The Joint Economic Development Zone (JEDZ) is comprised of Spencer Township and the Village of Whitehouse. The purpose of this JEDZ is to facilitate planned, orderly, new or expanded commercial and industrial growth within the region; creating, retaining and enhancing employment opportunities for the benefit of Whitehouse, Spencer Township, their residents, and all of the residents of the region.

The Zone operates under an appointed 6 member board, and levies an income tax of 1.5 percent. The tax proceeds are split between the Township and the Village. The Township receives 75 percent of the proceeds.

The Village of Whitehouse agrees as consideration for this JEDZ contract with the Board to administer, collect, and enforce the income tax on behalf of the JEDZ. The 2023 revenue to the township was \$1,045,500.

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 13 – Contractual Contribution/Revenue

On October 23, 2017, the Township entered into a Cooperative Agreement with the Toledo-Lucas County Port Authority (the Authority). The Authority manages these proceeds generated by the Joint Economic Development Zone (JEDZ) comprised of Spencer Township and the Village of Whitehouse in the form of a revolving loan fund that facilitates further economic development within the JEDZ. A description of the JEDZ agreement appears in Note 12. As part of this agreement, when either party chooses to end this agreement, the Township will receive their contributions plus any interest earned on the contribution less any funds being loaned to businesses within the JEDZ at that time. At December 31, 2023, the amount due to the Township including interest is \$1,270,015.

Spencer Township
Lucas County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|------------------|------------------|-----------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$108,407 | \$93,598 | | \$202,005 |
| Charges for Services | | 2,078 | | 2,078 |
| Licenses, Permits and Fees | 6,054 | | | 6,054 |
| Intergovernmental | 1,023,552 | 298,131 | \$11,301 | 1,332,984 |
| Earnings on Investments | 28,886 | 446 | | 29,332 |
| Miscellaneous | 1,549 | 245 | | 1,794 |
| <i>Total Cash Receipts</i> | <i>1,168,448</i> | <i>394,498</i> | <i>11,301</i> | <i>1,574,247</i> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 392,944 | 4,278 | | 397,222 |
| Public Safety | | 163,172 | | 163,172 |
| Public Works | 172,118 | 130,967 | | 303,085 |
| Conservation-Recreation | 26,787 | | | 26,787 |
| Capital Outlay | 85,020 | 50,943 | 11,300 | 147,263 |
| Debt Service: | | | | |
| Principal Retirement | | 9,536 | | 9,536 |
| <i>Total Cash Disbursements</i> | <i>676,869</i> | <i>358,896</i> | <i>11,300</i> | <i>1,047,065</i> |
| <i>Excess of Receipts Over Disbursements</i> | <i>491,579</i> | <i>35,602</i> | <i>1</i> | <i>527,182</i> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfer In | | 159,150 | | 159,150 |
| Transfer Out | (159,150) | | | (159,150) |
| Other Financing Uses | (245,599) | | | (245,599) |
| Sale of Capital Assets | | | 1,213 | 1,213 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <i>(404,749)</i> | <i>159,150</i> | <i>1,213</i> | <i>(244,386)</i> |
| <i>Net Change in Fund Cash Balances</i> | <i>86,830</i> | <i>194,752</i> | <i>1,214</i> | <i>282,796</i> |
| <i>Fund Cash Balances, January 1 (restated)</i> | <i>2,474,682</i> | <i>301,178</i> | <i>81,006</i> | <i>2,856,866</i> |
| <i>Fund Cash Balances, December 31</i> | <i>\$2,561,512</i> | <i>\$495,930</i> | <i>\$82,220</i> | <i>\$3,139,662</i> |

See accompanying notes to the basic financial statements

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

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Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Basis of Accounting

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

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. Unencumbered appropriations lapse at year end.

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.

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 2022 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, the Township's appropriations exceeded amount certified within Ohio Revised Code requirements.

Contrary to Ohio law, the Township made transfers between funds not within Ohio Revised Code requirements.

Contrary to Ohio law, the Township had expenditures in excess of resources and appropriations.

Contrary to Ohio law, the Township did not pass timely appropriation measures.

Spencer Township
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Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|--|--------------------------|------------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,066,400 | \$1,168,448 | \$102,048 |
| Special Revenue | 449,906 | 553,648 | 103,742 |
| Capital Projects | 11,300 | 12,514 | 1,214 |
| Total | \$1,527,606 | \$1,734,610 | \$207,004 |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|--------------------------------|-------------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$3,541,082 | \$1,082,542 | \$2,458,540 |
| Special Revenue | 615,810 | 359,371 | 256,439 |
| Capital Projects | 73,263 | 11,300 | 61,963 |
| Total | \$4,230,155 | \$1,453,213 | \$2,776,942 |

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

| | 2022 |
|-----------------|-------------|
| Demand deposits | \$3,139,662 |

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Township.

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

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 7 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2022</u> |
|-----------------------|--------------|
| Cash and investments | \$32,288,098 |
| Actuarial liabilities | \$9,146,434 |

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Note 10 – Debt

Debt outstanding at December 31, 2022, was as follows:

| | Principal | Interest Rate |
|-----------|-----------|---------------|
| OPWC Loan | \$71,519 | 0.00% |

The Ohio Public Works Commission (OPWC) loan #CL23U Schwamberger Road Phase 2 and Frankfort Road relates to a road resurfacing and improvements in the Township. OPWC loaned the Township \$95,359 for this project. The Township will repay the loan in semiannual installments of \$4,768 over 10 years starting in January 2020. The loan is collateralized by undivided local government funds.

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Amortization

Amortization of the above debt is scheduled as follows:

| Year Ending December 31: | OPWC Loan |
|-----------------------------|------------------------|
| 2023 | \$9,536 |
| 2024 | 9,536 |
| 2025 | 9,536 |
| 2026 | 9,536 |
| 2027 | 9,536 |
| 2028-2030 | <u>23,839</u> |
| Total | <u><u>\$71,519</u></u> |

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Total |
|--------------------------|---------|--------------------|----------|
| Outstanding Encumbrances | \$ 924 | \$ 475 | \$ 1,399 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of the capital projects fund are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects fund would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Jointly Governed Organization

Joint Economic Development Zone

The Joint Economic Development Zone (JEDZ) is comprised of Spencer Township and the Village of Whitehouse. The purpose of this JEDZ is to facilitate planned, orderly, new or expanded commercial and industrial growth within the region; creating, retaining and enhancing employment opportunities for the benefit of Whitehouse, Spencer Township, their residents, and all of the residents of the region.

The Zone operates under an appointed 6 member board, and levies an income tax of 1.5 percent. The tax proceeds are split between the Township and the Village. The Township receives 75 percent of the proceeds.

The Village of Whitehouse agrees as consideration for this JEDZ contract with the Board to administer, collect, and enforce the income tax on behalf of the JEDZ. The 2022 revenue to the township was \$982,399.

Spencer Township
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 13 – Contractual Contribution/Revenue

On October 23, 2017, the Township entered into a Cooperative Agreement with the Toledo-Lucas County Port Authority (the Authority). The Authority manages these proceeds generated by the Joint Economic Development Zone (JEDZ) comprised of Spencer Township and the Village of Whitehouse in the form of a revolving loan fund that facilitates further economic development within the JEDZ. A description of the JEDZ agreement appears in Note 12. As part of this agreement, when either party chooses to end this agreement, the Township will receive their contributions plus any interest earned on the contribution less any funds being loaned to businesses within the JEDZ at that time. At December 31, 2022, the amount due to the Township including interest is \$1,045,500.

Note 14 – Restate of Beginning Fund Balance

During 2022, it was discovered that improper fund balance adjustments were made to the General Fund.

The correction needed to properly report General Fund balance had the following effect on fund balance as reported January 1, 2022:

| | <u>General Fund</u> |
|--|---------------------------|
| Fund Balance December 31, 2021 | 2,274,682 |
| Adjustments: | |
| Correction of Fund Balance Adjustments | 200,000 |
| Restated Fund Balance January 1, 2022 | <u><u>\$2,474,682</u></u> |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Spencer Township
Lucas County
630 North Mielke Road
P.O. Box 28
Holland, Ohio 43528-0028

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of Spencer Township, Lucas County, Ohio (the Township) and have issued our report thereon dated July 21, 2025, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit, wherein we noted the Township restated the beginning fund balance to properly report the cash balance in the General Fund.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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 Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 and 2023-007 that we consider to be material weaknesses.

Spencer Township
Lucas County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2023-002 through 2023-007.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 21, 2025

SPENCER TOWNSHIP
LUCAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022

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

FINDING NUMBER 2023-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustments to the financial statements for the year ending December 31, 2023:

- Earnings on Investments were overstated in the amount of \$68,148 in the General Fund; and
- Other Financing Sources were understated in the amount of \$261,375 in the General Fund.

We identified the following error requiring adjustment to the financial statements for the year ending December 31, 2022:

- Beginning Fund Balance in the General Fund in the amount of \$844,122 was incorrectly adjusted and a restatement of \$200,000 was made to adjust the beginning fund balance.

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Failing to prepare accurate financial statements and notes to the financial statements could lead the Board of Trustees to make misinformed decisions. The accompanying financial statements and the accounting records have been adjusted to correct these errors. In addition to the adjustment noted above, we also identified additional misstatements ranging from \$195 to \$14,150, which we have brought to the Township's attention.

The Township should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Board of Trustees to help identify and correct errors and omissions.

FINDING NUMBER 2023-002

Noncompliance

Ohio Rev. Code § 5549.21 states, in part, that the board of township trustees may purchase or lease such machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township. Except as otherwise provided in sections 505.08, 505.101, and 5513.01 of the Revised Code, all purchases of materials, machinery, and tools shall, if the amount involved exceeds fifty thousand dollars, be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code.

Due to inadequate policies and procedures over purchasing compliance, in 2023, the Township purchased a backhoe in the amount of \$122,458 from the General Fund. This backhoe is used for the maintenance of roads. As such, this purchase should have been competitively bid, but was not.

Failure to competitively bid purchases as required could lead to unnecessary increases in Township expenditures. To comply with the Revised Code and to efficiently spend Township funds, the Township should implement policies and procedures to help ensure purchases over prescribed thresholds are advertised and competitively bid.

FINDING NUMBER 2023-003

Noncompliance

Ohio Rev. Code §§ 5705.14, 5705.15, & 5705.16 states that no transfer shall be made from one fund of a subdivision to any other fund, except as defined in the above-mentioned Ohio Revised Code Sections.

Due to deficiencies in internal policies and control procedures, transfers between funds were not always approved by the Board. During 2022, the Township transferred \$145,000 from the General Fund to the Fire District Fund. However, the Township Board of Trustee's did not request this transfer by resolution.

This error was the result of inadequate policies and procedures in approving transfers and reviewing of the financial statements. Failure to obtain proper authorizing resolutions prior to performing interfund transfers could lead to inappropriate transfers between funds.

The Board should adopt policies and procedures, including a final review of the financial statements by the Fiscal Officer and the Board, to identify and correct errors and omissions. Furthermore, the Board should make sure all actions are approved and noted in the minutes.

FINDING NUMBER 2023-004

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Due to deficiencies in policies and procedures over budgetary compliance, at December 31, 2023, the Township's appropriations exceeded the amount certified as available by the budget commission in the General Fund by \$288,770. At December 31, 2022, the Township's appropriations exceeded the amount certified as available by the budget commission in the Gasoline Tax and Miscellaneous Special Revenue Funds by \$44,921 and \$7,743 respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

FINDING NUMBER 2023-005

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's Fire District Fund had expenditures in excess of appropriations of \$63,999 as of December 31, 2022.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2023-006

Noncompliance

Ohio Rev. Code § 5705.38(A) provides that, on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

Due to deficiencies in the appropriation process, the Township did not pass appropriation measures until February 2, 2023 and July 7, 2022 for 2023 and 2022, respectively. The Township had supplemental appropriations that had been made to the budget, however these measures were not presented to the board of trustees and not officially adopted to the budget. The unapproved supplemental appropriations made in 2023 were \$52,100 and \$1,000 for the General Fund and the Gasoline Tax Fund, respectively. The unapproved supplemental appropriations made in 2022 were \$421,000 for the General Fund, \$4,000 to the Gasoline Tax Fund, \$145,000 to Fire District Fund, \$22,000 to the Permissive Motor Vehicle Tax Fund, and \$52,524 to the American Rescue Plan. Failure to document approval could result in expenditures made illegally.

The Township should adopt permanent appropriations on or about the first day of each year. If the Township wants to postpone passage of the annual appropriations, the Township should adopt temporary appropriations to cover ordinary expenses until such time as the permanent appropriations are adopted.

FINDING NUMBER 2023-007

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code or as otherwise provided by section 3315.40 of the Revised Code, all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

In 2022, the Township inappropriately recorded \$16,200 of intergovernmental revenue in the Miscellaneous Capital Projects Fund. Given the source of the revenue, this should have been recorded in the Road and Bridge Fund. An audit adjustment is reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

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

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS report.

FINDING NUMBER 2023-008

Finding for Recovery

Ohio Const., Art. II, Section 20, provides the General Assembly, in cases not provided for in this Constitution, shall fix the term of office and the compensation of all offices but no change therein shall affect the salary of any officer during his existing term, unless the office be abolished.

Former Trustee John Dean Anderson was elected with a term starting January 1, 2020. On January 2, 2020, the Board of Trustees voted to offer health care benefits to elected officials and Township employees. Due to an oversight when providing health insurance, the former Trustee was provided health insurance for his term of January 1, 2020 through December 31, 2023. Since the Trustees approved the health insurance benefits after Mr. Anderson's term commenced, the Township's payment for Mr. Anderson's health insurance benefits constitute a prohibited in-term compensation increase. Payments for health insurance were made by the fiscal officer, Dawn McDonald.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010). The amount of health care insurance paid from January 2020 to September 13, 2022 is \$15,014.75. For conduct occurring after September 13, 2022, Ohio Rev. Code 507.14, makes a township fiscal officer liable for a loss of public funds when a loss of public funds results from the township fiscal officer's negligence or other wrongful act. The amount of health care insurance paid from September 13, 2022 to December 31, 2023 is \$10,110.87. The total amount of health insurance benefits that were paid is \$25,125.62.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.24, a Finding for Recovery for public monies illegally expended is hereby issued against former Trustee John Dean Anderson, and his bonding company, Ohio Township Association Risk Management Authority, and Dawn McDonald, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$25,125.62, and in favor of Spencer Township's General Fund.

The Township should develop policies and procedures to help ensure elected officials do not receive any additional in-term compensation.

Officials' Response:

A response to finding Number 2023-008 was received from the Township. A portion of this response is included below. The response in its entirety is available from the Auditor of State upon request.

Spencer Township strongly contests and disagrees with Finding Number 2023-008, which is a finding for recovery in the amount of \$25,125.62 issued against former Trustee John Dean Anderson, Fiscal Officer Dawn McDonald and their bonding companies. This finding is unjust based on these facts and contrary to the "reasonable care" standard established in R.C. 507.14.

Dean Anderson was elected as a Spencer Township Trustee in November 2019, and his term began on January 1, 2020. He campaigned on the issue of offering health insurance to employees of the Township to attract better employees. That, in turn, would provide better service to the residents of the Township. Trustee Michael Hood supported this endeavor. Thus, at the first meeting of 2020, at the beginning of Trustee Anderson voted in favor of offering health insurance to the elected officials and full-time employees.

Trustee Anderson had health insurance through his own business and did not need health insurance from the Township's policy, so he did not intend to sign up for the Township's health insurance policy. Later in 2020, the Township learned that to offer health insurance, the Township needed a minimum number of participants, and the Township initially did not have enough people sign up for the Township's policy. It was only at that time that Trustee Anderson agreed to apply for the Township's policy so that the minimum participation requirement could be met.

Importantly, Trustee Anderson did not want to switch to the Township's policy and only did so to assist in obtaining insurance for Township officials and employees. If he had the intent of benefitting himself, he would have added his wife and children to the policy, but he did not. Finally, in 2023, when he knew that he was not running for re-election, and his presence on the Township health insurance policy did not benefit the Township, he switched to back to his own company's health insurance.

Significantly, Mr. Anderson gained no financial benefit from being on the Township's policy. Indeed, being on the Township's health insurance cost Mr. Anderson money because of the increased cost of medication that he required to pay while insured by the Township.

The Township therefore strongly asserts that Finding Number 2023-008 is erroneous based on these facts. Further, there is little to gain by holding Ms. McDonald and Mr. Anderson strictly liable for the costs of Mr. Anderson's health insurance. Both did not need the Township's health insurance and accepted it only so that the Township's employees could have access to health insurance coverage.

Auditor of State Conclusion:

As noted above, **Ohio Const., Art. II, Section 20**, shall fix the term of office and the compensation of all offices but no change therein shall affect the salary of any officer during his existing term, unless the office be abolished.

Accepting Township health insurance after Trustee term began qualifies as in-term compensation increase which is unallowable.



SPENCER TOWNSHIP

ADMINISTRATIVE OFFICES

630 North Meilke Road

P.O. Box 28

Holland, Ohio 43528

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023 AND 2022

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|--|---|
| 2021-001 | Finding was first reported during the audit of the 2006-2007 financial statements. Material weakness for errors in financial reporting. | Not corrected and reissued as Finding 2023-001 in this report. | This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements prior to filing the Township's annual report. |
| 2021-002 | Ohio Rev. Code § 505.10(A) for the purchase and subsequent sale of parcels. | Fully corrected. | |
| 2021-003 | Ohio Rev. Code § 5705.41(B) for expenditures in excess of appropriations. | Not corrected and reissued as Finding 2023-005. | This finding reoccurred due to inadequate policies and procedures over the budgetary process. |

OHIO AUDITOR OF STATE KEITH FABER



SPENCER TOWNSHIP

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/26/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov