



Certified Public Accountants, A.C.

**SPENCER TOWNSHIP  
ALLEN COUNTY  
Regular Audit  
For the Years Ended December 31, 2018 and 2017**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., #300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., #300  
Cambridge, OH 43725  
740 435 3417



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

Board of Trustees  
Spencer Township  
11605 Spencerville Road  
Spencerville, Ohio 45887

We have reviewed the *Independent Auditor's Report* of Spencer Township, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 14, 2019

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SPENCER TOWNSHIP  
ALLEN COUNTY

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## INDEPENDENT AUDITOR'S REPORT

August 31, 2019

Spencer Township  
Allen County  
11605 Spencerville Road  
Spencerville, Ohio 45887

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of **Spencer Township**, Allen County, (the Township) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinions on this accounting basis are in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Spencer Township, Allen County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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



**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 30,424	\$ 77,067	\$ 107,491
Charges For Services	-	-	-
Licenses, Permits and Fees	2,377	22,835	25,212
Intergovernmental	18,697	111,248	129,945
Special Assesments	-	-	-
Earnings on Investments	1,796	831	2,627
Miscellaneous	-	8,995	8,995
	<u>53,294</u>	<u>220,976</u>	<u>274,270</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
General Government	50,674	34,020	84,694
Public Safety	-	31,806	31,806
Public Works	1,567	112,622	114,189
Health	10,608	40,435	51,043
	<u>62,849</u>	<u>218,883</u>	<u>281,732</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,555)</u>	<u>2,093</u>	<u>(7,462)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	<u>1</u>	<u>17,020</u>	<u>17,021</u>
<i>Total Other Financing Receipts</i>	<u>1</u>	<u>17,020</u>	<u>17,021</u>
<i>Net Change in Fund Cash Balances</i>	<u>(9,554)</u>	<u>19,113</u>	<u>9,559</u>
<i>Fund Cash Balances, January 1</i>	<u>125,497</u>	<u>324,960</u>	<u>450,457</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	265,393	265,393
Committed	-	78,680	78,680
Assigned	46,188	-	46,188
Unassigned	69,755	-	69,755
	<u>69,755</u>	<u>-</u>	<u>69,755</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 115,943</u>	<u>\$ 344,073</u>	<u>\$ 460,016</u>

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

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Fiduciary Fund Type
	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments (trust funds only)	\$ 109
<i>Total Operating Cash Receipts</i>	109
 <i>Net Change in Fund Cash Balances</i>	 109
 <i>Fund Cash Balances, January 1</i>	 9,205
 <i>Fund Cash Balances, December 31</i>	 \$ 9,314

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

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Spencer Township, Allen County, (the Township) as a body corporate and politic. A publicly elected three- member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Invincible Fire Company, Inc., Spencerville, Ohio to provide fire services and Spencerville Ambulance Services, Inc., to provide ambulance services.

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 organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain 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:

***Motor Vehicle License Tax Fund*** This fund receives license fee money to pay for maintenance and repairs to Township roads.

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

***Road and Bridge Fund*** This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***Fiduciary Funds*** Fiduciary Funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other government which are not available to support the Township's own programs.

The Township's private purpose trust fund is a non-expendable trust fund for which amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

***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 Board 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(D) permit.

***Budgetary Process***

***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 the 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 forward and need not be reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

***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.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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:

***Nonspendable*** The Township classifies assets as Non-spendable when legally or contractually required to maintain the amounts intact.

***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. 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.

***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.

**Note 3 – Compliance**

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the General Fund by \$8,793 for the year ended December 31, 2018.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,377	\$ 53,295	\$ 21,918
Special Revenue	177,895	237,996	60,101
Private Purpose Trust	42	109	67
Total	\$ 209,314	\$ 291,400	\$ 82,086

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 54,647	\$ 63,440	\$ (8,793)
Special Revenue	245,200	221,336	23,864
Total	\$ 299,847	\$ 284,776	\$ 15,071

**Note 5 – Deposits and Investments**

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

	2018
Demand deposits	\$ 329,508
STAR Ohio	139,822
Total deposits and investments	\$ 469,330

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation or through the Ohio Pooled Collateral System. (OCPS), 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.

**Investments**

Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**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:

	<b>2018</b>
Assets	\$33,097,416
Liabilities	7,874,610
Net Position	\$25,222,806

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Township employees participate in OPERS. 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. 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, 2018.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**Note 8 – Defined Benefit Pension Plans (Continued)**

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**Note 9 – Postemployment Benefits**

OPERS offers 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 2018. The portion allocated to for members in the member-direct plan was 4.0 percent during calendar year 2018.



**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 26,814	\$ 84,696	\$ 111,510
Licenses, Permits and Fees	1,568	16,119	17,687
Intergovernmental	19,935	109,754	129,689
Earnings on Investments	1,006	411	1,417
Miscellaneous	-	12,401	12,401
<i>Total Cash Receipts</i>	<u>49,323</u>	<u>223,381</u>	<u>272,704</u>
<b>Cash Disbursements</b>			
Current:			
General Government	43,779	18,973	62,752
Public Safety	-	30,183	30,183
Public Works	3,965	111,473	115,438
Health	13,232	36,220	49,452
Capital Outlay	-	1,174	1,174
<i>Total Cash Disbursements</i>	<u>60,976</u>	<u>198,023</u>	<u>258,999</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,653)</u>	<u>25,358</u>	<u>13,705</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	-	601	601
Other Financing Sources	-	163	163
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>764</u>	<u>764</u>
<i>Net Change in Fund Cash Balances</i>	(11,653)	26,122	14,469
<i>Fund Cash Balances, January 1</i>	<u>137,150</u>	<u>298,838</u>	<u>435,988</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	262,114	262,114
Committed	-	62,846	62,846
Assigned	23,270	-	23,270
Unassigned	<u>102,227</u>	<u>-</u>	<u>102,227</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 125,497</u>	<u>\$ 324,960</u>	<u>\$ 450,457</u>

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

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Fiduciary Fund Type
	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments (trust funds only)	\$ 72
<i>Total Operating Cash Receipts</i>	72
 <i>Net Change in Fund Cash Balances</i>	 72
 <i>Fund Cash Balances, January 1</i>	 9,133
 <i>Fund Cash Balances, December 31</i>	 \$ 9,205

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

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Spencer Township, Allen County, (the Township) as a body corporate and politic. A publicly elected three- member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Invincible Fire Company, Inc., Spencerville, Ohio to provide fire services and Spencerville Ambulance Services, Inc., to provide ambulance services.

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 organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain 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:

***Motor Vehicle License Tax Fund*** This fund receives license fee money to pay for maintenance and repairs to Township roads.

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**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***Fiduciary Funds*** Fiduciary Funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other government which are not available to support the Township's own programs.

The Township's private purpose trust fund is a non-expendable trust fund for which amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

***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 Board 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(D) permit.

***Budgetary Process***

***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 the 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 forward and need not be reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

***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.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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:

***Nonspendable*** The Township classifies assets as Non-spendable when legally or contractually required to maintain the amounts intact.

***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. 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.

***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.

**Note 3 – Compliance**

Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority in the General Fund by \$5,035 for the year ended December 31, 2017.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,713	\$ 49,323	\$ 2,610
Special Revenue	204,869	224,145	19,276
Total	\$ 251,530	\$ 273,512	\$ 21,982

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 55,941	\$ 60,976	\$ (5,035)
Special Revenue	266,759	198,023	68,736
Total	\$ 322,700	\$ 258,999	\$ 63,701

**Note 5 – Deposits and Investments**

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

	2017
Demand deposits	\$ 322,539
STAR Ohio	137,123
Total deposits and investments	\$ 459,662

**Deposits** Deposits are insured by the Federal Depository Insurance Corporation or through the Ohio Pooled Collateral System. (OCPS), 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.

**Investments** Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

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**Note 7 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**Spencer Township**  
**Allen County**  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

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**Note 7 – Risk Management (Continued)**

Financial Position (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. (latest information available).

<u>2017 Contributions to OTARMA</u>
\$4,104

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

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Township employees participate in OPERS. 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. 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, 2017.

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers 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 1.0 percent during calendar year 2017.





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Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

August 31, 2019

Spencer Township  
Allen County  
11605 Spencerville Road  
Spencerville, Ohio 45887

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of **Spencer Township**, Allen County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2018-003 through 2018-005.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

SPENCER TOWNSHIP  
ALLEN COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

**Material Weakness**

**Financial Reporting**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*. Footnote disclosures should be accurate based on underlying source documentation and governmental accounting standards.

During 2017 and 2018, receipts, disbursements, and fund balances were not always posted or classified correctly, and footnote disclosures were not always up to date. The following errors were noted:

- Subsequent year appropriations that exceeded estimated receipts were misclassified as Unassigned instead of Assigned in 2018 and 2017;
- Gasoline Excise Tax Receipts were improperly recorded to the General Fund in 2017.
- Property Tax Receipts were improperly allocated to the General, Road & Bridge, and Fire District Funds in 2017.
- Property Tax Receipts were improperly recorded at net amounts to the General, Road & Bridge, and Fire District Funds in 2017 and 2018.
- The Township classified its Blythe Bequest Fund that is to be used to provide flowers for the Blythe family plots as a Permanent Fund. The Township posted interest received on private purpose trust funds to permanent funds for the audit period. The accompanying financial statements have been adjusted to reclassify the Blythe Bequest Fund from a Permanent Fund to a Private Purpose Trust Fund thus eliminating the reporting of any permanent funds.

As a result, reclassifications and adjustments were made in order to fairly present the annual financial report. The Township has posted these adjustments to its accounting system. The financial statements and footnotes reflect these reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements.

We also recommend the Township refer to Auditor of State Bulletin 2011-004 for assistance in properly classifying fund balances. The Township should refer to the Township Handbook for proper posting of receipts and disbursements.

**Management's Response** – We did not receive a response from officials to this finding.

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-002**

**Material Weakness**

**Timeliness and Accuracy of Bank Reconciliations**

During the prior audit period, the Township reported an unreconciled variance of \$2,867, with the bank balance being greater than the accounting system (UAN) balance. Though the Township was able to subsequently get the unreconciled difference to \$26 by March of 2017, this difference increased to \$3,140 by the end of the current audit period. The Township did complete bank to book reconciliations for each month during the audit period and had \$66.65 in other adjusting factors as of December 31, 2018.

Failure to properly reconcile the accounting system balance to the bank balance may result in inaccurate financial information being presented to the Board of Trustees and possible loss or theft of funds going undetected.

The Township should implement procedures to verify that bank reconciliations which include other adjusting factors and adjustments are valid variances and should follow up on these variances for proper resolution in a timely manner.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2018-003**

**Noncompliance**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

SPENCER TOWNSHIP  
ALLEN COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-003

Ohio Revised Code Section 5705.41(D) (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 36% of the expenditures tested for 2018 and for 46% of the expenditures tested for 2017. For the transactions not properly certified, purchase orders were not dated prior to the invoice date.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used. We also recommend that the Fiscal Officer review purchase orders to ensure that disbursements do not exceed the purchase order balance.

**Management's Response** – We did not receive a response from officials to this finding

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2018-004**

**Noncompliance**

**Salary and Insurance Reimbursement Allocations**

Effective September 29, 2011, House Bill 153 modified **Ohio Rev. Code §505.24 (D)** to require by a unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution

Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

The Township Trustees certified their payroll allocation each pay in 2018 and 2017; however, during 2017, the actual payroll allocations did not agree to the certifications. In 2018, the insurance reimbursements did not agree to the certifications. In addition, the previous fiscal officer's salary was paid entirely out of the General fund; however, her insurance reimbursements were partially paid from the Road and Bridge fund. This resulted in the following adjustments:

In 2018:

- an increase to General Government disbursements in the General fund of \$3,007
- a decrease in Public Works disbursements in the Road and Bridge fund of \$6,527
- an increase in Public Works disbursements in the Motor Vehicle License Tax fund of \$320
- an increase in Public Works disbursements in the Gas Tax fund of \$2,560
- an increase in Health disbursements in the Cemetery fund of \$640

In 2017:

- an increase to General Government disbursements in the General fund of \$698
- a decrease in Public Works disbursements in the Road and Bridge fund of \$263
- a decrease in Public Works disbursements in the Motor Vehicle License Tax fund of \$619
- a decrease in Public Works disbursements in the Gas Tax fund of \$606
- an increase in Health disbursements in the Cemetery fund of \$790

The Township should implement procedures to provide that each payroll certification is being utilized when posting payroll disbursements. All payroll benefits (OPERS, federal, state, and local taxes and insurance reimbursements) should also be posted according to payroll allocations. Failure to do so could result in future findings for adjustments and noncompliance citations.

SPENCER TOWNSHIP  
ALLEN COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-005

**Noncompliance**

**Ohio Revised Code Section 5705.41(B)**, provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

In 2018 and 2017, expenditures exceeded appropriations in the General Fund.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Township encountering deficit spending.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Management's Response** – We did not receive a response from management to the finding above.

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Private Purpose Trust Funds	Not Corrected	Reissued in Finding 2018-001
2016-002	Classification of Financial Activity	Partially Corrected	Reissued in Finding 2018-001
2016-003	ORC Section 5705.41(B)	Not Corrected	Reissued in Finding 2018-005



# OHIO AUDITOR OF STATE KEITH FABER



**SPENCER TOWNSHIP**

**ALLEN 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 3, 2019**