



Dave Yost • Auditor of State

SPENCER TOWNSHIP
GUERNSEY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Spencer Township
Guernsey County
P.O. Box 186
Cumberland, OH 43732

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, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013.

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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Spencer Township, Guernsey County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 2, 2016

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$35,435	\$129,337	\$0	\$164,772
Charges for Services	200	8,400	0	8,600
Licenses, Permits and Fees	0	100	0	100
Intergovernmental	3,352	104,755	0	108,107
Earnings on Investments	1,021	245	0	1,266
Miscellaneous	0	8,905	0	8,905
<i>Total Cash Receipts</i>	<u>40,008</u>	<u>251,742</u>	<u>0</u>	<u>291,750</u>
Cash Disbursements				
Current:				
General Government	35,892	0	0	35,892
Public Safety	0	22,420	0	22,420
Public Works	0	106,126	0	106,126
Health	0	9,281	0	9,281
Capital Outlay	73,990	0	0	73,990
<i>Total Cash Disbursements</i>	<u>109,882</u>	<u>137,827</u>	<u>0</u>	<u>247,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(69,874)</u>	<u>113,915</u>	<u>0</u>	<u>44,041</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	1,440	0	0	1,440
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,440</u>	<u>0</u>	<u>0</u>	<u>1,440</u>
<i>Net Change in Fund Cash Balances</i>	<u>(68,434)</u>	<u>113,915</u>	<u>0</u>	<u>45,481</u>
<i>Fund Cash Balances, January 1</i>	<u>158,395</u>	<u>368,389</u>	<u>20</u>	<u>526,804</u>
Fund Cash Balances, December 31				
Restricted	0	304,604	20	304,624
Committed	0	177,700	0	177,700
Assigned	89,961	0	0	89,961
<i>Fund Cash Balances, December 31</i>	<u><u>\$89,961</u></u>	<u><u>\$482,304</u></u>	<u><u>\$20</u></u>	<u><u>\$572,285</u></u>

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

SPENCER TOWNSHIP
GUERNSEY COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Agency</u>
<i>Fund Cash Balances, January 1</i>	<u>\$2,150</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,150</u></u>

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

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$32,913	\$121,753	\$0	\$154,666
Charges for Services	0	13,830	0	13,830
Licenses, Permits and Fees	0	1,200	0	1,200
Intergovernmental	107,985	115,521	0	223,506
Earnings on Investments	865	195	0	1,060
Miscellaneous	0	464	0	464
<i>Total Cash Receipts</i>	<u>141,763</u>	<u>252,963</u>	<u>0</u>	<u>394,726</u>
Cash Disbursements				
Current:				
General Government	28,964	0	0	28,964
Public Safety	0	17,000	0	17,000
Public Works	0	150,569	0	150,569
Health	0	2,075	0	2,075
Capital Outlay	0	307	0	307
Debt Service:				
Principal Retirement	0	0	20,298	20,298
Interest and Fiscal Charges	0	0	520	520
<i>Total Cash Disbursements</i>	<u>28,964</u>	<u>169,951</u>	<u>20,818</u>	<u>219,733</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>112,799</u>	<u>83,012</u>	<u>(20,818)</u>	<u>174,993</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	1,000	0	0	1,000
Other Financing Uses	(6,790)	0	0	(6,790)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,790)</u>	<u>0</u>	<u>0</u>	<u>(5,790)</u>
<i>Net Change in Fund Cash Balances</i>	107,009	83,012	(20,818)	169,203
<i>Fund Cash Balances, January 1</i>	<u>51,386</u>	<u>285,377</u>	<u>20,838</u>	<u>357,601</u>
Fund Cash Balances, December 31				
Restricted	0	242,622	20	242,642
Committed	0	125,767	0	125,767
Assigned	158,395	0	0	158,395
<i>Fund Cash Balances, December 31</i>	<u>\$158,395</u>	<u>\$368,389</u>	<u>\$20</u>	<u>\$526,804</u>

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

SPENCER TOWNSHIP
GUERNSEY COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Agency</u>
<i>Fund Cash Balances, January 1</i>	<u>\$2,150</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,150</u></u>

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

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Spencer Township, Guernsey 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 Cumberland Volunteer Fire Department to provide fire protection services and Cumberland Emergency Squad to provide ambulance services.

The Township participates in the Ohio Plan Risk Management public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Township had an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

Fire Special Levy Fund - This fund receives property tax money to pay for fire protection services.

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Miscellaneous Debt Service Fund - This fund is used to retire note debt.

4. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's only Agency Fund accounts for a road-use maintenance bond, which is restricted to a particular purpose. The purpose is road maintenance for damages to the roadways used by an oil company.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into three classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. 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.

2. 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.

3. 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.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$574,435	\$528,954

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,892	\$41,448	\$4,556
Special Revenue	242,339	251,742	9,403
Total	\$279,231	\$293,190	\$13,959

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,286	\$109,882	\$85,404
Special Revenue	610,728	137,827	472,901
Debt Service	20	0	20
Agency	2,150	0	2,150
Total	\$808,184	\$247,709	\$560,475

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,479	\$142,763	\$109,284
Special Revenue	239,862	252,963	13,101
Total	\$273,341	\$395,726	\$122,385

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,865	\$35,754	\$49,111
Special Revenue	507,595	169,951	337,644
Debt Service	20,838	20,818	20
Agency	2,150	0	2,150
Total	\$615,448	\$226,523	\$388,925

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. PROPERTY TAX

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

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

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

6. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.



Dave Yost • Auditor of State

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

Spencer Township
Guernsey County
P.O. Box 186
Cumberland, Ohio 43732

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, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2016 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 Findings that we consider material weaknesses. We consider findings 2014-001 and 2014-002 to be material weaknesses.

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.

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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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2014-001.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 2, 2016

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2014, the Fiscal Officer posted certain transactions incorrectly as follows:

- August real estate and manufactured home settlements posted entirely to intergovernmental at net in the General Fund, in the amount of \$65,212 instead of taxes in the General Fund in the amount of \$13,333, in the Road and Bridge Fund in the amount of \$30,080, in the Cemetery Fund in the amount of \$6,741 and in the Fire Special Levy Fund in the amount of \$15,057;
- Local government in the amount of \$385 posted to taxes instead of intergovernmental in the General Fund;
- Paid for a remote mower arm for tractor from the Fire Fund, in the amount of \$7,900 instead of from the Gasoline Tax Fund;
- Cents per gallon in the amount of \$7,485 posted to intergovernmental in the General Fund instead of intergovernmental in the Gasoline Tax Fund;
- Cents per gallon in the amount of \$15,089 posted to taxes in the General Fund instead of intergovernmental in the Gasoline Tax Fund;
- 5% township road ratio monies in the amount of \$1,761 posted to the General Fund instead of the Motor Vehicle License Tax Fund;
- 5% township road ratio monies in the amount of \$2,897 posted to the Gasoline Tax Fund instead of the Motor Vehicle License Tax Fund;
- Permissive tax monies in the amount of \$349 posted to the Motor Vehicle License Tax Fund instead of the Permissive Motor Vehicle License Tax Fund;
- Homestead and rollback posted to taxes instead of intergovernmental in the General Fund in the amount of \$1,323, in the Road and Bridge Fund in the amount of \$2,497, in the Cemetery Fund in the amount of \$614 and in the Fire Special Levy Fund in the amount of \$1,080;
- Homestead and rollback posted entirely to taxes in the General Fund instead of intergovernmental in the General Fund in the amount of \$1,295, in the Road and Bridge Fund in the amount of \$2,442, in the Cemetery Fund in the amount of \$601 and in the Fire Special Levy Fund in the amount of \$1,056; and
- Purchase of a truck and dump truck in the amount of \$65,221 posted to other financing uses instead of capital outlay in the General Fund.
- An arm mower in the amount of \$7,900 used for roadside mowing was paid from the Fire Special Levy Fund instead of the Gasoline Tax Fund.

During 2013, the Fiscal Officer posted certain transactions incorrectly as follows:

- Bureau of workers compensation receipt in the amount of \$465 posted to intergovernmental instead of other revenue;

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-001 (Continued)

Noncompliance/Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

- Homestead and rollback posted to taxes instead of intergovernmental in the General Fund in the amount of \$2,318, in the Road and Bridge Fund in the amount of \$5,182, in the Cemetery Fund in the amount of \$1,279 and in the Fire Special Levy Fund in the amount of \$2,244; and
- Debt payment in the amount of \$465 posted to interest instead of principal.

These errors were due to a lack of management oversight. As a result, the significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and the accounting system.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

FINDING NUMBER 2014-002

Material Weakness

Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010. This bulletin required entity's to formally adopt a fund balance policy.

The Township improperly reported the General Fund's cash fund balance as restricted instead of assigned and unassigned, and the Road and Bridge Fund's cash fund balance as restricted instead of committed during 2014 and 2013. The General Fund and Special Revenue Fund type cash fund balances have been reclassified on the 2014 and 2013 financial statements. Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010. This Bulletin required entities to formally adopt a fund balance policy. The policy should specify the following:

- The policy should define whether the auditee considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.
- For unrestricted fund balances, the classification should be based on the government's accounting policies regarding whether it considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.
- If a government does not establish a policy for its use of unrestricted fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-002 (Continued)

Material Weakness (Continued)

The Township also improperly reported the Road and Bridge Fund's cash fund balance as restricted instead of reporting the cash fund balance as committed, in the amounts of \$145,177 and \$125,767 during 2014 and 2013, respectively. We also found the Township improperly reported appropriations in excess of estimated receipts in the General Fund as restricted instead of reporting the excess as assigned, in the amounts of \$170,274 and \$158,395 during 2014 and 2013, respectively. The General Fund and Special Revenue Fund type cash fund balances have been reclassified on the 2014 and 2013 financial statements. Also, the Board of Trustees have not established a fund balance policy for the Township.

The Board of Trustees should establish a fund balance policy. Also, the Township should review AOS Bulletin 2011-004 for proper reporting of cash fund balances.

Officials' Response: We did not receive a response from Officials to any of the aforementioned findings.

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Dave Yost • Auditor of State

SPENCER TOWNSHIP

GUERNSEY 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
MARCH 17, 2016**