



Dave Yost • Auditor of State

**SPENCER TOWNSHIP
LUCAS COUNTY**

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Dave Yost • Auditor of State

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 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, Lucas County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 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.

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 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 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, 2015 and 2014, 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, Lucas County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 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

November 16, 2016

**SPENCER TOWNSHIP
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,220,523	\$140,333		\$1,360,856
Charges for Services		132,750		132,750
Licenses, Permits and Fees	3,738	732		4,470
Intergovernmental	51,788	204,597	\$169,626	426,011
Miscellaneous	1,123	17,811		18,934
<i>Total Cash Receipts</i>	<u>1,277,172</u>	<u>496,223</u>	<u>169,626</u>	<u>1,943,021</u>
Cash Disbursements				
Current:				
General Government	182,043	77,555		259,598
Public Safety		335,903		335,903
Public Works	137,950	108,170		246,120
Conservation-Recreation	10,700			10,700
Capital Outlay	238,950	145,145	169,626	553,721
Debt Service:				
Principal Retirement	73,600	14,848		88,448
Interest and Fiscal Charges	126	562		688
<i>Total Cash Disbursements</i>	<u>643,369</u>	<u>682,183</u>	<u>\$169,626</u>	<u>1,495,178</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>633,803</u>	<u>(185,960)</u>		<u>447,843</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds		73,600		73,600
Sale of Capital Assets		700		700
Transfers In		133,840		133,840
Transfers Out	(133,840)			(133,840)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(133,840)</u>	<u>208,140</u>		<u>74,300</u>
<i>Net Change in Fund Cash Balances</i>	499,963	22,180		522,143
<i>Fund Cash Balances, January 1</i>	<u>262,836</u>	<u>141,484</u>		<u>404,320</u>
Fund Cash Balances, December 31				
Restricted		163,664		163,664
Assigned	201,863			201,863
Unassigned	560,936			560,936
<i>Fund Cash Balances, December 31</i>	<u>\$762,799</u>	<u>\$163,664</u>		<u>\$926,463</u>

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$435,069	\$140,063	\$575,132
Charges for Services		81,517	81,517
Licenses, Permits and Fees	8,748	75	8,823
Intergovernmental	35,615	127,916	163,531
Earnings on Investments	48		48
Miscellaneous	7,118	600	7,718
<i>Total Cash Receipts</i>	<u>486,598</u>	<u>350,171</u>	<u>836,769</u>
Cash Disbursements			
Current:			
General Government	164,460	36,922	201,382
Public Safety		289,680	289,680
Public Works	62,684	82,658	145,342
Conservation-Recreation	6,481		6,481
Capital Outlay	11,743	1,000	12,743
Debt Service:			
Principal Retirement		21,623	21,623
Interest and Fiscal Charges		1,359	1,359
<i>Total Cash Disbursements</i>	<u>245,368</u>	<u>433,242</u>	<u>678,610</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>241,230</u>	<u>(83,071)</u>	<u>158,159</u>
Other Financing Receipts (Disbursements)			
Transfers In		83,000	83,000
Transfers Out	(83,000)		(83,000)
Advances In	75,000	75,000	150,000
Advances Out	(75,000)	(75,000)	(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(83,000)</u>	<u>83,000</u>	
<i>Net Change in Fund Cash Balances</i>	158,230	(71)	158,159
<i>Fund Cash Balances, January 1</i>	<u>104,606</u>	<u>141,555</u>	<u>246,161</u>
Fund Cash Balances, December 31			
Restricted		141,484	141,484
Unassigned	262,836		262,836
<i>Fund Cash Balances, December 31</i>	<u>\$262,836</u>	<u>\$141,484</u>	<u>\$404,320</u>

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Spencer Township, Lucas County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Lucas County Sheriff to provide law enforcement services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool and is associated with a Joint Economic Development Zone with the Village of Whitehouse. Notes 7 and 9 to the financial statements provides additional information for these entities.

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 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.

C. Fund Accounting

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

1. General Fund

The General Fund 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 Fund:

Fire District Fund - This fund receives property tax money to staff and operate the fire department.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. 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:

Ohio Public Works Commission Fund – This fund receives grants from the Ohio Public Works Commission to finance large road improvement projects.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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.

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 2015 and 2014 budgetary activity appears in Note 3.

E. 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:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	<u>\$926,463</u>	<u>\$404,320</u>

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,332,710	\$1,277,172	(\$55,538)
Special Revenue	739,001	704,363	(34,638)
Capital Projects	169,626	169,626	
Total	\$2,241,337	\$2,151,161	(\$90,176)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$953,747	\$777,209	\$176,538
Special Revenue	813,576	682,183	131,393
Capital Projects	169,626	169,626	
Total	\$1,936,949	\$1,629,018	\$307,931

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$691,852	\$486,598	(\$205,254)
Special Revenue	507,651	433,171	(74,480)
Total	\$1,199,503	\$919,769	(\$279,734)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$485,150	\$328,368	\$156,782
Special Revenue	580,376	433,242	147,134
Total	\$1,065,526	\$761,610	\$303,916

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.

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

5. LEASES

Lease obligation outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ambulance / Lease Purchase	\$2,552	3%

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

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

Year ending December 31:	Ambulance
2016	\$2,568

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

7. RISK MANAGEMENT

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

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

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

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$14,814	\$13,660

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.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. INTERFUND TRANSFERS

Transfer activity for the years ending December 31, 2015 and 2014 follows:

2015 Interfund Transfers		
Fund	Transfers In	Transfers Out
Fire District	\$133,840	
General		\$133,840

2014 Interfund Transfers		
Fund	Transfers In	Transfers Out
Fire District	\$83,000	
General		\$83,000

Transfers from the General fund for both years represent the allocation of unrestricted receipts collected in the General Fund to finance the Township's fire operations.

9. 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 and Spencer, and 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%. The tax proceeds are split between the Township and the Village. The Township receives 75% 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.

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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
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 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, Lucas County, Ohio, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated November 16, 2016 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 findings as items 2015-002 and 2015-003.

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

November 16, 2016

**SPENCER TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

The following errors were noted that required audit adjustments or reclassifications to the financial statements and/or individual fund balances:

- The Township posted one payment to Lucas County for a road project in the amount of \$73,600 as Principal Retirement rather than Capital Outlay expenditures in 2015.
- The Township posted property taxes at net and posted homestead and rollback monies to the General Fund only in 2015, resulting in a net decrease of \$3,890 to Property Taxes and Other Local Taxes; increase of \$5,458 to Intergovernmental receipts; and increase of \$9,500 for General Government disbursements in the General Fund. Also, this resulted in an increase of \$7,932 to Intergovernmental receipts in the Fire District Fund.
- The Township posted property taxes at net and posted personal property taxes to the General Fund only, resulting in a net increase of \$5,558 to Property Taxes and Other Local Taxes and an increase of \$10,287 for General Government disbursements in the General Fund. Also, this resulted in an increase of \$5,496 to Property Taxes and Other Local Taxes and an increase of \$767 for General Government disbursements in the Fire District Fund in 2014.
- The Township posted various other receipts to Intergovernmental receipts in the General Fund incorrectly in 2015, resulting in a decrease of \$60,312 to Intergovernmental receipts; increase of \$1,123 in miscellaneous receipts; and a decrease of \$33,161 for General Government disbursements in the General Fund. Also, this resulted in increases of \$14,125 to Intergovernmental receipts and of \$11,903 to Charges for Services in the Fire District Fund.
- The Township posted homestead and rollback monies to the General Fund only posted various other receipts to Intergovernmental receipts in the General Fund incorrectly in 2014, resulting in a decrease of \$22,699 to Intergovernmental receipts; an increase of \$7,118 to Miscellaneous receipts; and an increase of \$193 for General Government disbursements in the General Fund. Also, this resulted in an increase of \$15,774 to Intergovernmental receipts in the Fire District Fund.
- The Township posted property taxes at net in the Fire District Fund, resulting in increases of \$2,180 and \$2,780 to Property Taxes and Other Local Taxes and corresponding increases in the same amounts to General Government disbursements for 2015 and 2014 respectively.
- The Township posted permissive monies received from Lucas County incorrectly as Intergovernmental receipts in the amount of \$19,720 to the Gasoline Tax Fund rather than the Permissive Motor Vehicle License Fund in 2015.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

- The Township posted permissive monies received from Lucas County incorrectly as Intergovernmental receipts in the amounts of \$16,147 to the Gasoline Tax Fund and \$1,172 to the Motor Vehicle License Tax Fund in 2014, resulting in an increase of \$17,319 to the Permissive Motor Vehicle License Fund. There was also one receipt posted as Property and Other Local Taxes to the Permissive Motor Vehicle License Fund in the amount of \$1,728, but should have been classified as an Intergovernmental receipt.
- The Township benefited from \$169,626 in Ohio Public Works Commission (OPWC) grant funding in fiscal year 2015. However, the Fiscal Officer did not record the related receipts and disbursements in the Township's accounting system or on the accompanying financial statements. This resulted in a material understatement of financial statements in the Capital Projects fund type for 2015.
- Assigned fund cash balance amount of \$201,863 in 2015, for appropriations in excess of estimated receipts for 2016 was posted as Unassigned fund cash balance amount in the General Fund.

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements, and where applicable, the Township's accounting records have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Fiscal Officer and Governing Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements by the Fiscal Officer and Governing Board, to identify and correct errors and omissions. The Fiscal Officer should also review the Ohio Township Handbook Chart of Accounts issued by the Auditor of State to ensure that all accounts are being properly posted to the financial statements.

FINDING NUMBER 2015-002

Material Noncompliance - Trustee Certifications

Ohio Rev. Code §505.24(D) provides that by 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 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.

Two of the Township's trustees were compensated, in full, one from the Gasoline Tax Fund and one from the Fire District Fund for 2015 and 2014. Certifications did not support the amounts being charged to these respective funds. The financial statements and accounting records were adjusted to move \$8,575 and \$1,671 from the Gasoline Tax Fund and \$7,540 and \$4,796 in expenses from the Fire District Fund for a total of \$16,115 and \$6,467 to the General Fund for 2015 and 2014, respectively.

We recommend the Trustees document time spent working on matters to be paid from the General fund and to be paid from other Township funds for proper allocation of compensation. We recommend the Township follow guidelines of Auditor State Bulletin 2011-007.

**SPENCER TOWNSHIP
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDING NUMBER 2015-003

Material Noncompliance - Revenue Distribution

Ohio Rev. Code §5705.10 requires that all revenue derived from a general levy for current expense be paid into the general fund. All revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

As noted in Finding 2015-001, the Fiscal Officer posted various property taxes and intergovernmental receipts to incorrect funds resulting in adjustments and reclassification to the financial statements and to various individual funds.

These errors were due to misunderstandings by the Fiscal Officer on how to post various receipts.

The Township should record such monies in the proper fund as required by the Ohio Revised Code. As further described in Finding Number 2015-001, we also recommend the Fiscal Officer post all transactions in accordance with the Ohio Township Handbook Chart of Accounts, issued by the Auditor of State.

Officials' Response:

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

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**SPENCER TOWNSHIP
LUCAS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Finding was first issued in the 2006-2007 audits. Material Weakness – Monitoring Financial Activity – numerous financial statement errors were noted resulting in significant audit adjustments and reclassifications.	Not Corrected and repeated as Finding 2015-001 in this report.	Recurrence due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Township Trustees will perform detailed reviews of financial information to ensure revenue and expenditures are properly posted.

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Dave Yost • Auditor of State

SPENCER TOWNSHIP

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 8, 2016**