



OHIO AUDITOR OF STATE
KEITH FABER



**SPENCER TOWNSHIP
GUERNSEY COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

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 § 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 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 § 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, 2018 and 2017, and the respective 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, Guernsey County, as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2019

Spencer Township
Guernsey County, Ohio
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$36,481	\$127,388	\$0	\$163,869
Charges for Services	906	3,500	0	4,406
Intergovernmental	12,179	103,364	0	115,543
Earnings on Investments	3,473	1,535	0	5,008
Miscellaneous	0	350	0	350
<i>Total Cash Receipts</i>	<u>53,039</u>	<u>236,137</u>	<u>0</u>	<u>289,176</u>
Cash Disbursements				
Current:				
General Government	36,980	1,650	0	38,630
Public Safety	0	22,000	0	22,000
Public Works	0	90,734	0	90,734
Health	24	5,442	0	5,466
<i>Total Cash Disbursements</i>	<u>37,004</u>	<u>119,826</u>	<u>0</u>	<u>156,830</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>16,035</u>	<u>116,311</u>	<u>0</u>	<u>132,346</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	19	0	0	19
Other Financing Uses	0	(1,999)	0	(1,999)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>19</u>	<u>(1,999)</u>	<u>0</u>	<u>(1,980)</u>
<i>Net Change in Fund Cash Balances</i>	16,054	114,312	0	130,366
<i>Fund Cash Balances, January 1</i>	<u>83,237</u>	<u>751,926</u>	<u>20</u>	<u>835,183</u>
Fund Cash Balances, December 31				
Restricted	0	632,561	20	632,581
Committed	0	233,677	0	233,677
Assigned	99,291	0	0	99,291
<i>Fund Cash Balances, December 31</i>	<u>\$99,291</u>	<u>\$866,238</u>	<u>\$20</u>	<u>\$965,549</u>

See accompanying notes to the basic financial statements

Spencer Township
Guernsey County, Ohio
Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018

	<u>Fiduciary Fund</u> <u>Type</u>
	<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>
<i>See accompanying notes to the basic financial statements</i>	

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 services and Cumberland Emergency Squad to provide ambulance services. The Township appropriates levied fire fund money to support a volunteer fire department.

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.

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, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

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

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

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

The Ohio Revised Code requires that each fund (except the agency fund) be budgeted annually.

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

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.

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 2018 budgetary activity appears in Note 3.

Capital Assets

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

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

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 *nonspendable* 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 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,430	\$53,058	\$13,628
Special Revenue	227,606	236,137	8,531
Total	\$267,036	\$289,195	\$22,159

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

Note 3 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,067	\$37,004	\$88,063
Special Revenue	977,132	121,825	855,307
Debt Service	20	0	20
Total	\$1,102,219	\$158,829	\$943,390

Note 4 – 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:

	2018
Demand deposits	\$967,699

Deposits

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

Note 5 – Property Taxes

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

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

Note 6 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Section 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.

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

Note 6 – Risk Management (Continued)

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members’ Equity	<u>\$ 4,330,789</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

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Spencer Township
Guernsey County, Ohio
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$38,840	\$136,044	\$0	\$174,884
Charges for Services	122	6,700	0	6,822
Licenses, Permits and Fees	0	715	0	715
Intergovernmental	10,010	102,469	0	112,479
Earnings on Investments	634	271	0	905
Miscellaneous	0	19,569	0	19,569
<i>Total Cash Receipts</i>	<u>49,606</u>	<u>265,768</u>	<u>0</u>	<u>315,374</u>
Cash Disbursements				
Current:				
General Government	44,698	0	0	44,698
Public Safety	0	22,000	0	22,000
Public Works	0	112,318	0	112,318
Health	49	4,203	0	4,252
Capital Outlay	39,894	44,810	0	84,704
<i>Total Cash Disbursements</i>	<u>84,641</u>	<u>183,331</u>	<u>0</u>	<u>267,972</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(35,035)</u>	<u>82,437</u>	<u>0</u>	<u>47,402</u>
Other Financing (Disbursements)				
Other Financing Uses	(2,178)	0	0	(2,178)
<i>Total Other Financing (Disbursements)</i>	<u>(2,178)</u>	<u>0</u>	<u>0</u>	<u>(2,178)</u>
<i>Net Change in Fund Cash Balances</i>	(37,213)	82,437	0	45,224
<i>Fund Cash Balances, January 1</i>	<u>120,450</u>	<u>669,489</u>	<u>20</u>	<u>789,959</u>
Fund Cash Balances, December 31				
Restricted	0	567,233	20	567,253
Committed	0	184,693	0	184,693
Assigned	83,237	0	0	83,237
<i>Fund Cash Balances, December 31</i>	<u><u>\$83,237</u></u>	<u><u>\$751,926</u></u>	<u><u>\$20</u></u>	<u><u>\$835,183</u></u>

See accompanying notes to the basic financial statements

Spencer Township
Guernsey County, Ohio
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
	Agency
<i>Fund Cash Balances, January 1</i>	\$2,150
<i>Fund Cash Balances, December 31</i>	\$2,150

See accompanying notes to the basic financial statements

Spencer Township
Guernsey 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, 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 services and Cumberland Emergency Squad to provide ambulance services. The Township appropriates levied fire fund money to support a volunteer fire department.

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.

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, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

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

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

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

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

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

The Ohio Revised Code requires that each fund (except the agency fund) be budgeted annually.

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

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.

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 2017 budgetary activity appears in Note 3.

Capital Assets

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

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

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 *nonspendable* 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 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,169	\$49,606	\$9,437
Special Revenue	227,259	265,768	38,509
Total	\$267,428	\$315,374	\$47,946

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

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$160,618	\$86,819	\$73,799
Special Revenue	897,850	183,331	714,519
Debt Service	20	0	20
Total	\$1,058,488	\$270,150	\$788,338

Note 4 – 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:

	2017
Demand deposits	\$837,333

Deposits

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

Note 5 – Property Taxes

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

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

Note 6 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 Section 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.

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

Note 6 – Risk Management (Continued)

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members’ Equity	<u>\$ 5,292,512</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 percent during calendar year 2017.

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OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 9, 2019, 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider Findings 2018-001 through 2018-003 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2018-004 described in the accompanying Schedule of Findings to be a significant deficiency.

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 2018-001 and 2018-002.

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.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2019

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In 2018, property taxes were allocated incorrectly to the General, Road and Bridge, and Cemetery Funds' in the amounts of \$2,679, \$208, and \$327, respectively, that should have been posted to the Fire Levy Fund in the amount of \$3,214.

In 2017, Road and Bridge Fund property taxes were posted to the Cemetery Fund in the amount of \$43,344.

These adjustments were agreed to by Township officials' and have been posted to the Township's accounting records and are reflected within the accompanying financial statements.

We also noted the following in 2018 and 2017:

- State homestead and rollback receipts were allocated incorrectly to the General, Road and Bridge, Cemetery, and Fire Levy Funds in the amounts of \$312, \$12, \$68 and \$391, respectively, in 2018.
- State homestead and rollback receipts were allocated incorrectly to the General, Road and Bridge Cemetery, and Fire Levy Funds in the amounts of \$295, \$12, \$64, and \$370, respectively, in 2017.

As these errors are not significant to the opinion units affected in 2018 or 2017, the adjustments noted above were agreed to by management but will not be posted to the financial statements.

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

The Township should post property taxes and homestead and rollback receipts according to the allocation shown on the County Auditor tax settlement sheets.

FINDING NUMBER 2018-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

We noted the following in 2018:

- Health insurance reimbursements for the Fiscal Officer were paid from the Gasoline Tax Fund instead of the General Fund in the amount of \$1,925.
- 100% of the General liability insurance premium in the amount of \$4,687 was paid from the Road and Bridge Fund instead of allocating \$1,781 to General Fund, as proper.

We noted the following in 2017:

- Health insurance reimbursements for the Fiscal Officer were paid from the Gasoline Tax Fund instead of the General Fund in the amount of \$2,400.

Audit adjustments, as agreed by management, are reflected in the financial statements and in the accounting records correcting the misstatements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-002 (Continued)

Noncompliance and Material Weakness (Continued)

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

The Township should pay a reasonable portion of the property and liability insurance premium from the General Fund. The Fiscal Officer's insurance reimbursement should be paid from the fund of which her salary is paid.

FINDING NUMBER 2018-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Ohio Township Handbook (revised March 2019) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

Also, the Township did not always properly classify its December 31, 2018 and 2017 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

We noted the following posting errors in 2018:

- State homestead and rollback receipts were posted to Taxes instead of Intergovernmental in the General, Road and Bridge, Cemetery, and Fire Levy Funds' in the amounts of \$2,920, \$5,607, \$1,168 and \$1,986, respectively.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as unassigned rather than assigned in the amount of \$99,291.
- The Road and Bridge Fund balance was classified as restricted rather than committed in the amount of \$233,677 for the inside millage.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003 (Continued)

Material Weakness (Continued)

We noted the following posting errors in 2017:

- General liability insurance was posted to Capital Outlay instead of General Government in the General Fund in the amount of \$5,386.
- A tractor purchase was posted as Public Works within the Road and Bridge Fund in the amount of \$22,405, and to Other Financing Uses within the Cemetery Fund in the amount of \$22,405, instead of being classified as Capital Outlay in each fund.
- The General Fund amount appropriated over estimated receipts in the next fiscal year was classified as unassigned rather than assigned in the amount of \$83,237.
- The Road and Bridge Fund balance was classified as restricted rather than committed in the amount of \$184,693 for the inside millage.

The above adjustments, to which management agrees, have been posted to the accounting records and are reflected in the accompanying financial statements.

We also noted the following in 2018 and 2017:

- Property Tax receipts were posted at net, therefore Property Tax receipts and General Government disbursements were understated for the General, Road and Bridge, Cemetery, and Fire Levy Funds' in the amounts \$531, \$881, \$181, and \$391, respectively, in 2018.
- Property Tax receipts were posted at net, therefore Property Tax receipts and General Government disbursements were understated for the General, Road and Bridge, Cemetery, and Fire Levy Funds' in the amounts \$1,389, \$1,823, \$363, and \$769, respectively, in 2017.
- State homestead and rollback receipts were posted to Taxes instead of Intergovernmental in the General, Road and Bridge, Cemetery, and Fire Levy Funds' in the amounts of \$2,761, \$5,302, \$1,105 and \$1,878, respectively, in 2017.
- Uniform Accounting Network and Audit fees were classified as Other Financing Uses within the General Fund in the amount of \$678 instead of General Government, in 2017.

As these errors are not significant to the opinion units affected in 2018 or 2017, the adjustments noted above were agreed to by management but will not be posted to the financial statements.

The Township did not have a control process in place to help ensure receipts, expenditures, and fund balances are recorded in the correct classification.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Township's financial position and operations.

The Township Fiscal Officer should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. This guidance will help ensure the Fiscal Officer makes proper postings to receipt and expenditure account classifications based on the source of the receipt and nature of the expenditure. Also, the Township Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance regarding fund balance classifications.

SPENCER TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-004

Significant Deficiency

The Township performs chip and seal work on the roads typically every other year or as needed for road resurfacing and dust control purposes. Residents have the option to have this work completed or opt out of the project. The Township sends out letters to residents stating the project terms, the charge for the project, and when this application will be applied. For those residents whom desire for chip and seal to be applied to the road portion in front of their house, they need to pay the Township \$100 for every 100 feet they want applied. The Township collects this money over a two month period and figures the total emulsion needed to be ordered for the project as a whole.

As residents and/or companies pay for chip and seal, the Fiscal Officer tallies these payments on a spreadsheet until it is completed. This spreadsheet is given to the Trustees in order to know who paid and how much is requested to be applied. Trustees prepare for this application weeks ahead of time through discussing with each resident where they want the application applied, measuring the width of the road, and placing markings where to be applied. This spreadsheet is utilized during application day as well as the marking pins on the roads in order to ensure everyone who paid for chip and seal get their application properly.

During 2017, we noted errors in this spreadsheet. Of \$15,569 chip and seal receipts tested, \$3,900 represented residents who paid money but were not listed on the sheet, \$675 represented residents who paid more money than what was listed on the sheet, and \$850 represented residents who paid less money than what was listed on the sheet.

The Township did not have a process in place to adequately account for monies collected from residents for the chip and seal work (i.e., dust control program).

Failure to properly document the chip and seal work requested by residents and companies on the spreadsheet can lead to discrepancies in application, underpayments, or overpayments. These errors make these receipts highly susceptible to theft and increases the loss of accountability.

The Township should strengthen chip and seal receipts accountability and application through providing more detail on the spreadsheet maintained and utilized for each chip and seal project. Total footage requested should be documented along with any explanations for over or under application. A reconciliation form should also be established and completed to ensure the amount collected agrees to the number of residents and feet of application requested.

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness – Monthly bank reconciliations.	Corrected.	This has been fixed.
2016-002	Material Weakness – Receipt and expenditure classification.	Not Corrected.	Work in Progress.

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OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 24, 2019**