



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SPENCER TOWNSHIP  
LUCAS COUNTY  
DECEMBER 31, 2019 AND 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the 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, 2019 and 2018.

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

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

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

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

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our 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, 2019 and 2018, 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, Lucas County, Ohio as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2020, 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

August 13, 2020

**SPENCER TOWNSHIP  
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$115,089	\$93,421		\$208,510
Licenses, Permits and Fees	6,890	2,162		9,052
Fines and Forfeitures	164			164
Intergovernmental	906,729	120,281	\$80,716	1,107,726
Earnings on Investments	17,787			17,787
Miscellaneous	9,462	3,000		12,462
<i>Total Cash Receipts</i>	<u>1,056,121</u>	<u>218,864</u>	<u>80,716</u>	<u>1,355,701</u>
<b>Cash Disbursements</b>				
Current:				
General Government	229,963	2,394		232,357
Public Safety		154,899		154,899
Public Works	37,619	38,773		76,392
Conservation-Recreation	10,848			10,848
Capital Outlay	161,996	949	103,288	266,233
<i>Total Cash Disbursements</i>	<u>440,426</u>	<u>197,015</u>	<u>103,288</u>	<u>740,729</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>615,695</u>	<u>21,849</u>	<u>(22,572)</u>	<u>614,972</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			22,572	22,572
Sale of Capital Assets			12,829	12,829
Other Financing Use - Contractual Contribution	(1,000,000)			(1,000,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,000,000)</u>		<u>35,401</u>	<u>(964,599)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(384,305)</u>	<u>21,849</u>	<u>12,829</u>	<u>(349,627)</u>
<i>Fund Cash Balances, January 1</i>	<u>618,968</u>	<u>369,831</u>	<u>36,695</u>	<u>1,025,494</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		391,680	49,524	441,204
Assigned	234,663			234,663
<i>Fund Cash Balances, December 31</i>	<u>\$234,663</u>	<u>\$391,680</u>	<u>\$49,524</u>	<u>\$675,867</u>

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

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

***Public Entity Risk Pool and Joint Economic Development Zone***

The Township participates the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool and a joint economic development zone agreement with the Village of Whitehouse. Notes 6 and 10 to the financial statements provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

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

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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***Miscellaneous Capital Projects Fund*** The miscellaneous capital projects fund accounts for and reports the sale of capital assets restricted for the acquisition or construction of capital facilities, other capital assets, and capital improvements.

***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 be budgeted annually.

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

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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***Accumulated Leave***

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

***Fund Balance***

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

***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.

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,150,600	\$1,056,121	(\$94,479)
Special Revenue	200,300	218,864	18,564
Capital Projects		116,117	116,117
Total	\$1,350,900	\$1,391,102	\$40,202

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,132,276	\$1,441,159	\$691,117
Special Revenue	286,689	197,078	89,611
Capital Projects	103,288	103,288	
Total	\$2,522,253	\$1,741,525	\$780,728

**Note 4 – Deposits**

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

Demand deposits	2019 \$675,867
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***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.

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**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.

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

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

**Note 6 – Risk Management**

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

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

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2018 (the latest information available):

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement***

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

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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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, 2019.

**Note 8 – Postemployment Benefits**

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

**Note 9 – Debt**

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
OPWC Loan 23U	\$95,359	0%

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

***Amortization***

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

Year Ending December 31:	General Obligation Notes
2020	\$9,536
2021	9,536
2022	9,536
2023	9,536
2024	9,536
2025-2029	47,679
Total	\$95,359

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**Note 10 – Joint Economic Development Zone**

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

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

The Village of Whitehouse agrees as consideration for this JEDZ contract with the Board to administer, collect, and enforce the income tax on behalf of the JEDZ. The 2019 revenue to the township was \$869,724

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 12 – Contractual Contribution**

On October 23, 2017, the Township entered into a Cooperative Agreement with the Toledo-Lucas County Port Authority (the Authority). During the year, the Township contributed an additional \$1,000,000 to the Authority in accordance with this agreement. The Authority manages these proceeds generated by the Joint Economic Development Zone (JEDZ) comprised of Spencer Township and the Village of Whitehouse in the form of a revolving loan fund that facilitates further economic development within the JEDZ. A description of the JEDZ agreement appears in Note 10. As part of this agreement, when either party chooses to end this agreement, the Township will receive their contributions plus any interest earned on the contribution less any funds being loaned to businesses within the JEDZ at that time. At December 31, 2019, the amount due to the Township including interest is \$2,556,799.

**SPENCER TOWNSHIP  
LUCAS COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$89,460	\$90,499		\$179,959
Charges for Services		4,183		4,183
Licenses, Permits and Fees	13,966			13,966
Intergovernmental	1,024,421	103,685	\$166,920	1,295,026
Miscellaneous	11,797			11,797
<i>Total Cash Receipts</i>	<u>1,139,644</u>	<u>198,367</u>	<u>166,920</u>	<u>1,504,931</u>
<b>Cash Disbursements</b>				
Current:				
General Government	238,220	4,523		242,743
Public Safety		148,701		148,701
Public Works	27,000	43,227		70,227
Conservation-Recreation	7,546			7,546
Capital Outlay	761,249	1,990	239,707	1,002,946
<i>Total Cash Disbursements</i>	<u>1,034,015</u>	<u>198,441</u>	<u>239,707</u>	<u>1,472,163</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>105,629</u>	<u>(74)</u>	<u>(72,787)</u>	<u>32,768</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds			72,787	72,787
Sale of Capital Assets			30,695	30,695
Other Financing Use - Contractual Contribution	(1,500,000)	-	-	(1,500,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,500,000)</u>		<u>103,482</u>	<u>(1,396,518)</u>
<i>Net Change in Fund Cash Balances</i>	(1,394,371)	(74)	30,695	(1,363,750)
<i>Fund Cash Balances, January 1</i>	<u>2,013,339</u>	<u>369,905</u>	<u>6,000</u>	<u>2,389,244</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		369,831	36,695	406,526
Assigned	618,968			
<i>Fund Cash Balances, December 31</i>	<u>\$618,968</u>	<u>\$369,831</u>	<u>\$36,695</u>	<u>\$1,025,494</u>

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

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**Note 1 – Reporting Entity**

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**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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***Miscellaneous Capital Projects Fund*** The miscellaneous capital projects fund accounts for and reports the sale of capital assets restricted for the acquisition or construction of capital facilities, other capital assets, and capital improvements.

***Basis of Accounting***

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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***

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

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

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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***Accumulated Leave***

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

***Fund Balance***

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

***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.

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**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	\$1,147,400	\$1,139,644	(\$7,756)
Special Revenue	175,900	198,367	22,467
Capital Projects		270,402	270,402
Total	\$1,323,300	\$1,608,413	\$285,113

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,807,276	\$2,534,731	\$1,272,545
Special Revenue	288,590	198,599	89,991
Capital Projects	239,707	239,707	
Total	\$4,335,573	\$2,973,037	\$1,362,536

**Note 4 – Deposits**

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

	2018
Demand deposits	\$1,025,494

***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.

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**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.

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

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

**Note 6 – Risk Management**

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

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

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

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement***

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

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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

**Note 9 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan 23U	\$72,787	0%

The Ohio Public Works Commission (OPWC) loan #CL23U Schwamberger Road Phase 2 and Frankfort Rd. relates to a road resurfacing and improvements in the Township. This project was a work in progress in 2018. OPWC loaned the Township \$72,787 towards this project during 2018

***Amortization***

This loan was not amortized until the project was completed in 2019.

**Note 10 – 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 percent. The tax proceeds are split between the Township and the Village. The Township receives 75 percent of the proceeds.

The Village of Whitehouse agrees as consideration for this JEDZ contract with the Board to administer, collect, and enforce the income tax on behalf of the JEDZ. The 2018 revenue to the township was \$983,108.

**Note 11 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimate

**Spencer Township**  
*Lucas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Note 12 – Contractual Contribution**

On October 23, 2017, the Township entered into a Cooperative Agreement with the Toledo-Lucas County Port Authority (the Authority). During the year, the Township contributed \$1,500,000 to the Authority in accordance with this agreement. The Authority manages these proceeds generated by the Joint Economic Development Zone (JEDZ) comprised of Spencer Township and the Village of Whitehouse in the form of a revolving loan fund that facilitates further economic development within the JEDZ. A description of the JEDZ agreement appears in Note 10. As part of this agreement, when either party chooses to end this agreement, the Township will receive their contributions plus any interest earned on the contribution less any funds being loaned to businesses within the JEDZ at that time. At December 31, 2018, the amount due to the Township including interest is \$1,520,032.

# OHIO AUDITOR OF STATE KEITH FABER



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Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@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  
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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 13, 2020 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

### ***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.

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 2019-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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

August 13, 2020

**SPENCER TOWNSHIP  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

**Financial Reporting**

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

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Township's activity. The Township should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The following errors required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2019:

- Fund Balances of \$234,663 within the General Fund related to appropriations in excess of estimated receipts and outstanding encumbrances were recorded as Unassigned rather than Assigned as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as (GASB) Cod. 1800.176;
- Capital Outlay disbursements made by the Ohio Public Works Commission (OPWC) on behalf of the Township totaling \$103,288 for Road Construction projects were not recorded in the financial statements. From this activity, \$22,572 should have also been recorded as Other Debt Proceeds and \$80,716 as Intergovernmental Receipts;
- The Township contributed \$1,000,000 to the Lucas County Port Authority in accordance with a cooperative agreement between the two entities. This amount should have been recorded as an other financing use - contractual contribution rather than a general government expense in the General Fund. In addition, this activity should not have been presented as an investment in the notes to the financial statements.

The following errors required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- Fund Balances of \$618,968 within the General Fund related to appropriations in excess of estimated receipts and outstanding encumbrances were recorded as Unassigned rather than Assigned as required by Governmental Accounting Standards Board (GASB) Statement No. 54, codified as (GASB) Cod. 1800.176;
- Capital Outlay disbursements made by the Ohio Public Works Commission (OPWC) on behalf of the Township totaling \$239,707 for Road Construction projects were not recorded in the financial statements. From this activity, \$72,787 should have also been recorded as Other Debt Proceeds, and \$166,920 as Intergovernmental Receipts;

- Capital Outlay disbursements for the purchase of a new plow truck and completion of a road construction project totaling \$369,174 were incorrectly recorded as General Government disbursements;
- Joint Economic Development Zone receipts were incorrectly recorded as Property and Other Local Taxes rather than Intergovernmental receipts within the General Fund for \$506,288.
- The Township contributed \$1,500,000 to the Lucas County Port Authority in accordance with a cooperative agreement between the two entities. This amount should have been recorded as an other financing use - contractual contribution in the General Fund rather than being recorded as part of the fund balance on the financial statements. In addition, this activity should not have been presented as an investment in the notes to the financial statements.

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements and footnotes have been adjusted to correct these errors. Failing to prepare accurate financial statements could lead the Board or financial statement user to make misinformed decisions. Additional errors were noted in smaller relative amounts that did not require adjustment to the financial statements or adjusted due to being quantitatively material.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Board of Trustees. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on GASB Statement No. 54 and Auditor of State Bulletin 2002-004 for information on posting OPWC activity.

**Officials' Response:**

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



**SPENCER TOWNSHIP**  
**ADMINISTRATIVE OFFICES**

630 North Meilke Road

P.O. Box 28

Holland, Ohio 43528

**SPENCER TOWNSHIP**  
**LUCAS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2019 AND 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Finding was first reported during the audit of the 2006-2007 financial statements. Material Weakness for errors in financial reporting.	Not corrected and repeated as Finding 2019-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and footnotes prior to filing the Township's annual report. The Township is implementing procedures to correct these errors for the future.
2017-002	Ohio Rev. Code § 5705.39 for appropriations exceeding estimated revenue.	Fully Corrected.	
2017-003	Ohio Rev. Code § 5705.10(F) and Material Weakness for sales of permanent improvements not being reported in the Capital Projects fund.	Fully Corrected.	
2017-004	Ohio Rev. Code § 135.18(B) for pledged eligible securities not equal to at least one hundred five percent of the total deposit.	Fully Corrected.	

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# OHIO AUDITOR OF STATE KEITH FABER



**SPENCER TOWNSHIP**

**LUCAS COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/1/2020**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)