

SPENCER TOWNSHIP

AUDIT REPORT

JANUARY 1, 2003 – DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Spencer Township
Cumberland, Ohio

We have reviewed the *Independent Auditor's Report* of Spencer Township, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 29, 2005

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**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**55050 Iowa Road
Cumberland, Ohio 43732**

**ELECTED OFFICIALS
AS OF DECEMBER 31, 2004**

<u>NAME</u>	<u>TITLE</u>	<u>TERM</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
Rick Weingart	Trustee	01/01/02-12/31/05	(A)	\$5,000	(B)
Earl McIntire	Trustee	01/01/02-12/31/05	(A)	\$5,000	(B)
Dale Yerian	Trustee	01/01/04-12/31/07	(A)	\$5,000	(B)
Nate Wutrick 55050 Iowa Road Cumberland, Ohio 43732	Clerk	04/01/04-03/31/08	(A)	\$25,000	(B)

STATUTORY LEGAL COUNSEL

Dan Padden, Prosecuting Attorney
Guernsey County
139 West 8th Street
Cambridge, Ohio 43725

(A) Ohio Government Risk Management Plan

(B) Concurrent with term

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

General Fund

Special Revenue Fund Types:

Motor Vehicle License Tax Fund

Gasoline Tax Fund

Road and Bridge Fund

Fire Special Levy Fund

Permissive Tax Fund

Miscellaneous Special Revenue Fund

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Spencer Township
Cumberland, Ohio

We have audited the accompanying financial statements of Spencer Township, Guernsey County as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Spencer Township's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Spencer Township, Guernsey County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2005, on our consideration of Spencer Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in conjunction with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 28, 2005

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Type		(Memorandum Only)
	General	Special Revenue	Totals
CASH RECEIPTS:			
Local taxes	\$ 13,858	\$ 31,775	\$ 45,633
Charges for services	-	4,357	4,357
Intergovernmental	9,267	160,769	170,036
Earnings on investments	410	212	622
Miscellaneous	-	28	28
TOTAL CASH RECEIPTS	<u>23,535</u>	<u>197,141</u>	<u>220,676</u>
CASH DISBURSEMENTS:			
Current:			
General government	17,234	-	17,234
Public safety services	-	7,000	7,000
Public work activities	-	112,477	112,477
Public health services	98		98
Capital outlay	169		169
TOTAL CASH DISBURSEMENTS	<u>17,501</u>	<u>119,477</u>	<u>136,978</u>
TOTAL CASH RECEIPTS OVER CASH DISBURSEMENTS	6,034	77,664	83,698
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Transfers-in	725	-	725
Transfers-out	-	(725)	(725)
Other financing uses	(1,321)	-	(1,321)
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>(596)</u>	<u>(725)</u>	<u>(1,321)</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	5,438	76,939	82,377
FUND CASH BALANCE - JANUARY 1	<u>15,887</u>	<u>40,034</u>	<u>55,921</u>
FUND CASH BALANCE - DECEMBER 31	<u><u>21,325</u></u>	<u><u>116,973</u></u>	<u><u>138,298</u></u>

See notes to financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Type		(Memorandum Only)
	General	Special Revenue	Totals
CASH RECEIPTS:			
Local taxes	\$ 12,463	\$ 22,867	\$ 35,330
Charges for services	-	4,992	4,992
Intergovernmental	6,204	78,527	84,731
Earnings on investments	206	207	413
Miscellaneous	-	882	882
TOTAL CASH RECEIPTS	<u>18,873</u>	<u>107,475</u>	<u>126,348</u>
CASH DISBURSEMENTS:			
Current:			
General government	21,079	-	21,079
Public safety services	-	9,029	9,029
Public work activities	-	100,566	100,566
Public health services	-	-	-
Capital outlay	604	-	604
TOTAL CASH DISBURSEMENTS	<u>21,683</u>	<u>109,595</u>	<u>131,278</u>
TOTAL CASH RECEIPTS OVER CASH DISBURSEMENTS	(2,810)	(2,120)	(4,930)
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Sale of fixed assets	100	-	100
Other financing sources	2,426	-	2,426
Other financing uses	(1,503)	-	(1,503)
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>1,023</u>	<u>-</u>	<u>1,023</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(1,787)	(2,120)	(3,907)
FUND CASH BALANCE - JANUARY 1	<u>17,674</u>	<u>42,154</u>	<u>59,828</u>
FUND CASH BALANCE - DECEMBER 31	<u><u>15,887</u></u>	<u><u>40,034</u></u>	<u><u>55,921</u></u>

See notes to financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Spencer, Guernsey County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three member Board directs the Township. The Township provides general governmental services, including road, bridge and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report expenditures when a commitment is made (i.e., when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

All cash is maintained in a pooled checking account.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**SPENCER TOWNSHIP
GUERNSEY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Motor Vehicle License Tax Fund – This fund receives motor vehicle tax receipts for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

Road and Bridges Fund – This fund receives real estate and personal property tax money for the construction, repair and maintenance of township roads and bridges.

Permissive Motor Vehicle Fund – This fund receives county motor vehicle license tax money for the construction, repair, and maintenance of township roads and bridges.

Fire Special Levy Fund – This fund receives real estate tax for the cost associated with the fire protection contract with the Township of Spencer.

Miscellaneous Special Revenue Fund – This fund received FEMA monies in association with damage that was done during flooding in the Township.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

Encumbrances

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

A Summary of 2004 and 2003 budgetary activity appears in Note 3.

**SPENCER TOWNSHIP
GUERNSEY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

2. Equity in Pooled Cash

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

	2004	2003
Demand Deposits	\$ 138,298	\$ 55,921

Deposits:

Deposits are collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2004 and 2003 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 21,224	\$ 24,260	\$ 3,036
Special Revenue	184,904	207,398	22,494
Total	\$ 206,128	\$ 231,658	\$ 25,530

2004 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 31,077	\$ 18,822	\$ 12,255
Special Revenue	231,747	130,459	101,288
Total	\$ 262,824	\$ 149,281	\$ 113,543

**SPENCER TOWNSHIP
GUERNSEY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

3. Budgetary Activity (Continued)

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 18,736	\$ 21,399	\$ 2,663
Special Revenue	<u>102,783</u>	<u>108,610</u>	<u>5,827</u>
Total	<u>\$ 121,519</u>	<u>\$ 130,009</u>	<u>\$ 8,490</u>

2003 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 35,441	\$ 23,186	\$ 12,255
Special Revenue	<u>121,600</u>	<u>110,730</u>	<u>10,870</u>
Total	<u>\$ 157,041</u>	<u>\$ 133,916</u>	<u>\$ 23,125</u>

4. Property Tax

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the county by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners who must file a list of such property to the County by each April 30.

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

5. Retirement Systems

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**SPENCER TOWNSHIP
GUERNSEY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

6. Risk Management

The Township is a member of the Ohio Government Risk Management Plan (the “Plan”) which is a risk pool discussed at Note 7. The following risks are covered by the Pool:

- Property
- Liability
- Wrongful Acts
- Automobile
- Bond
- Crime
- Inland Marine
- EDP

The Township also provides health and life insurance coverage to its officials through a private carrier.

7. Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s deductible.

The Plan uses conventional insurance coverage’s and reinsures these coverage’s. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Commercial Insurance

The Township also provides health and life insurance coverage to its officials through a private carrier.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Board of Trustees
Spencer Township
Cumberland, Ohio

We have audited the financial statements of Spencer Township as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 28, 2005 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spencer Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts the would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated June 28, 2005.

Compliance

As part of obtaining reasonable assurance about whether Spencer Township's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the management of Spencer Township in a separate letter dated June 28, 2005.

This report is intended for the information of the Board of Trustees, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 28, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

**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
SEPTEMBER 8, 2005**