

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

AUDIT REPORT

YEAR ENDED DECEMBER 31, 2006

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Spencer Township
55050 Iowa Road
Cumberland, Ohio 43732

We have reviewed the *Independent Auditors' Report* of Spencer Township, Guernsey County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 1, 2007

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**SPENCER TOWNSHIP
GUERNSEY COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Spencer Township
Guernsey County
55050 Iowa Road
Cumberland, Ohio 43732

We have audited the accompanying financial statements of the governmental activities, major funds and aggregate remaining fund information of Spencer Township, Guernsey County as of and for the year ended December 31, 2006, which collectively comprised the Township's basic financial statements. 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 *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 discussed in Note 2, the Township has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, major funds and the aggregate remaining fund information of Spencer Township, Guernsey County, as of December 31, 2006, and the respective changes in financial position-cash basis and the respective budgetary comparison for the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, and the Road and Bridge Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2007, 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 accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 28, 2007

**SPENCER TOWNSHIP, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Spencer Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

The Township purchased a new loader backhoe through the State purchasing program. They incurred debt in the amount of \$54,000 in connection with this acquisition.

The Township used part of the agency funds on hand for necessary road repairs due to damages suffered to roadways from excessive use by an oil company.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and statement of activities provide information about the cash activities of the Township as a whole. The statement of cash basis assets and fund balances, and the statement of cash receipts, disbursements and changes in fund cash balances, present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**SPENCER TOWNSHIP, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statements of net assets and statements of activities for 2006 reflect how the Township did financially within the limitations of the cash basis of accounting. The statement of net assets present the cash balances of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the programs services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's tax base, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and real estate taxes.

In the statement of net assets and the statement of activities, we divide the government into governmental activities. All of the Township's basic services are reported here, including road maintenance. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

**SPENCER TOWNSHIP, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds for 2006 are the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the township reports on the cash basis.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2006 on the cash basis:

Table 1 NET ASSETS	
Governmental Activities	
<u>2006</u>	
Assets	
Cash	\$ 135,139
Total Assets	<u>135,139</u>
Net Assets	
Restricted for:	
Debt Service	12,380
Other Purposes	101,830
Unrestricted	20,929
Total Net Assets	<u>\$ 135,139</u>

Since this is the first year the Township has reported on this method, there are no comparisons to 2005.

**SPENCER TOWNSHIP, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

Table 2 reflects the changes in net assets in 2006

Table 2
CHANGES IN NET ASSETS

	Governmental Activities 2006
Receipts:	
Program Receipts:	
Charges for Services	\$ 6,010
Operating Grants	100,434
Capital Grants	-
Total Program Receipts	106,444
General Receipts;	
Property and Other Tax	60,878
Grants and Entitlements not Restricted	10,683
Earnings on Investments	5,451
Bond Proceeds	54,000
Miscellaneous	23
Total General Receipts	131,035
Total Receipts	237,479
Disbursements:	
General Government	21,742
Public Safety	11,000
Public Works	124,376
Health	136
Capital Outlay	54,916
Miscellaneous	13,285
Total Disbursements	225,455
Increase/(Decrease) In Net Assets	12,024
Net Assets, January 1	123,115
Net Assets, December 31	\$ 135,139

Since this is the first year reporting under this method, there is no comparison to 2005.

Program receipts represent 45% of total receipts for 2006. They are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 55% of the Township's total receipts for 2006. Local taxes represent 46% of the general receipts. Grants and entitlements make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities.

**SPENCER TOWNSHIP, GUERNSEY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

The Government's Funds

Total governmental funds had receipts of \$183,479 for 2006 and disbursements of \$171,455 for 2006. There were no significant changes from 2005.

Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During 2006, the Township made amendments to its appropriation budget and receipts budget to reflect changing circumstances. For 2006, actual receipts were greater than budgeted receipts.

Final budgeted disbursements for 2006 were \$86,589. Actual disbursements for 2006 were \$80,343. The Township kept spending close to budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt

As of December 31, 2006, the Township has outstanding debt in the amount of \$54,000 all due within the next 5 years. The debt is a loan used to purchase a loader backhoe. Payments are made annually. See footnote #9 for more detail.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nathan Wutrick, Fiscal Officer, 55050 Iowa Road, Cumberland, Ohio 43732.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
December 31, 2006**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 135,139</u>
Total Assets	<u><u>\$ 135,139</u></u>
NET ASSETS:	
Restricted for:	
Debt Service	\$ 12,380
Other Purposes	101,830
Unrestricted	<u>20,929</u>
Total Net Assets	<u><u>\$ 135,139</u></u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
Governmental Activities:					
General Government	\$ 21,742	\$ -	\$ -	\$ -	\$ (21,742)
Public Safety	11,000	-	-	-	(11,000)
Public Works	124,376	-	100,434	-	(23,942)
Health	136	-	-	-	(136)
Capital Outlay	54,916	-	-	-	(54,916)
Other	13,285	6,010	-	-	(7,275)
	<u>13,285</u>	<u>6,010</u>	<u>-</u>	<u>-</u>	<u>(7,275)</u>
Total Governmental Activities	<u>\$ 225,455</u>	<u>\$ 6,010</u>	<u>\$ 100,434</u>	<u>\$ -</u>	<u>\$ (119,011)</u>

General Receipts:

Property Taxes Levied for:	
General Purposes	\$ 60,878
Grants and Entitlements not	
Restricted to Specific Programs	10,683
Earnings on Investments	5,451
Bond Proceeds	54,000
Miscellaneous	23
	<u>131,035</u>
Total General Receipts	<u>131,035</u>
Change in Net Assets	12,024
Net Assets Beginning of Year	<u>123,115</u>
Net Assets End of Year	<u>\$ 135,139</u>

See notes to the basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2006**

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Equity in Pooled Cash and cash Equivalents	\$ 20,929	\$ 6,273	\$ 52,608	\$ 19,214	\$ 36,115	\$ 135,139
Total Assets	<u>\$ 20,929</u>	<u>\$ 6,273</u>	<u>\$ 52,608</u>	<u>\$ 19,214</u>	<u>\$ 36,115</u>	<u>\$ 135,139</u>
Fund Balances:						
Unreserved:						
General Fund	20,929	-	-	-	-	20,929
Special Revenue Fund	-	6,273	52,608	19,214	23,735	101,830
Debt Service Fund	-	-	-	-	12,380	12,380
Total Fund Balances	<u>\$ 20,929</u>	<u>\$ 6,273</u>	<u>\$ 52,608</u>	<u>\$ 19,214</u>	<u>\$ 36,115</u>	<u>\$ 135,139</u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNESY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
December 31, 2006**

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS						
Property and Other Local Taxes	\$ 15,979	\$ -	\$ -	\$ 29,170	\$ 15,729	\$ 60,878
Charges for Services	53	-	5,957	-	-	6,010
Intergovernmental	4,849	12,564	73,860	5	19,839	111,117
Earnings on Investments	2,875	276	2,121	-	179	5,451
Other	23	-	-	-	-	23
Total Receipts	23,779	12,840	81,938	29,175	35,747	183,479
CASH DISBURSEMENTS:						
Current:						
General Government	21,742	-	-	-	-	21,742
Public Safety	-	-	-	-	11,000	11,000
Public Works	-	16,964	77,784	25,140	4,488	124,376
Health	136	-	-	-	-	136
Capital Outlay	54,916	-	-	-	-	54,916
Total Disbursements	76,794	16,964	77,784	25,140	15,488	212,170
Excess of Receipts Over (Under) Disbursements	(53,015)	(4,124)	4,154	4,035	20,259	(28,691)
Other Financing Receipts/(Disbursements)						
Bond Proceeds	54,000	-	-	-	-	54,000
Other Financing Uses	(3,549)	-	(9,736)	-	-	(13,285)
Total Other Financing Receipts/(Disbursements)	50,451	-	(9,736)	-	-	40,715
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(2,564)	(4,124)	(5,582)	4,035	20,259	12,024
Cash Fund Balances Beginning of Year	23,493	10,397	58,190	15,179	15,856	123,115
Cash Fund Balances End of Year	\$ 20,929	\$ 6,273	\$ 52,608	\$ 19,214	\$ 36,115	\$ 135,139

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Property and Other Local Taxes	\$ 13,864	\$ 13,864	\$ 15,979	\$ 2,115
Charges for Services	-	-	53	53
Intergovernmental	4,791	4,791	4,849	58
Earnings on Investments	900	900	2,875	1,975
Other	-	-	23	23
Total Receipts	<u>19,555</u>	<u>19,555</u>	<u>23,779</u>	<u>4,224</u>
CASH DISBURSEMENTS:				
Current:				
General Government	30,289	30,289	21,742	8,547
Health	400	400	136	264
Capital Outlay	<u>1,900</u>	<u>55,900</u>	<u>54,916</u>	<u>984</u>
Total Disbursements	<u>32,589</u>	<u>86,589</u>	<u>76,794</u>	<u>9,795</u>
Excess of Receipts Over (Under) Disbursements	(13,034)	(67,034)	(53,015)	14,019
Other Financing Sources (Uses)				
Bond Proceeds	-	54,000	54,000	-
Other Financing Uses	<u>(10,459)</u>	<u>(10,459)</u>	<u>(3,549)</u>	<u>6,910</u>
Total Other Financing Sources (Uses)	<u>(10,459)</u>	<u>43,541</u>	<u>50,451</u>	<u>6,910</u>
Net Change in Fund Balances	(23,493)	(23,493)	(2,564)	20,929
Cash Fund Balances Beginning of Year	23,493	23,493	23,493	-
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,929</u>	<u>\$ 20,929</u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
MOTOR VEHICLE LICENSE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Intergovernmental	\$ 11,500	\$ 11,500	\$ 12,564	\$ 1,064
Earnings on Investments	165	165	276	111
Total Receipts	11,665	11,665	12,840	1,175
CASH DISBURSEMENTS:				
Current:				
Public Works	22,062	22,062	16,964	5,098
Total Disbursements	22,062	22,062	16,964	5,098
Excess of Receipts Over (Under) Disbursements	(10,397)	(10,397)	(4,124)	6,273
Cash Fund Balances Beginning of Year	10,397	10,397	10,397	-
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,273</u>	<u>\$ 6,273</u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
CASH RECEIPTS				
Charges for Services	\$ 5,000	\$ 5,000	\$ 5,957	\$ 957
Intergovernmental	69,000	56,620	73,860	17,240
Earnings on Investments	575	575	2,121	1,546
Total Receipts	<u>74,575</u>	<u>62,195</u>	<u>81,938</u>	<u>19,743</u>
CASH DISBURSEMENTS:				
Current:				
Public Works	118,500	108,620	77,784	30,836
Capital Outlay	1,000	1,000	-	1,000
Total Disbursements	<u>119,500</u>	<u>109,620</u>	<u>77,784</u>	<u>31,836</u>
Excess of Receipts Over (Under) Disbursements	(44,925)	(47,425)	4,154	51,579
Other Financing Sources (Uses)				
Other Financing Uses	(13,265)	(10,765)	(9,736)	1,029
Total Other Financing Sources (Uses)	<u>(13,265)</u>	<u>(10,765)</u>	<u>(9,736)</u>	<u>1,029</u>
Net Change in Fund Balances	(58,190)	(58,190)	(5,582)	52,608
Cash Fund Balances Beginning of Year	58,190	58,190	58,190	-
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,608</u>	<u>\$ 52,608</u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CASH RECEIPTS				
Property and Other Local Taxes	\$ 26,674	\$ 26,674	\$ 29,170	\$ 2,496
Intergovernmental	70	70	5	(65)
Total Receipts	26,744	26,744	29,175	2,431
CASH DISBURSEMENTS:				
Current:				
Public Works	41,923	41,923	25,140	16,783
Total Disbursements	41,923	41,923	25,140	16,783
Excess of Receipts Over (Under) Disbursements	(15,179)	(15,179)	4,035	19,214
Other Financing Sources (Uses)				
Other Financing Uses	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(15,179)	(15,179)	4,035	19,214
Cash Fund Balances Beginning of Year	15,179	15,179	15,179	-
Cash Fund Balances End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,214</u>	<u>\$ 19,214</u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
FIDUCIARY FUNDS
December 31, 2006**

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 1,350</u>
Total Assets	<u><u>\$ 1,350</u></u>
NET ASSETS:	
Restricted for:	
Other Purposes	<u>\$ 1,350</u>
Total Net Assets	<u><u>\$ 1,350</u></u>

See notes to basic financial statements.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting 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. The Township is directed by a publicly-elected three member Board of Trustees and a publicly elected Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Cumberland Volunteer Fire Department and the Cumberland Emergency Squad to provide fire and emergency services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements, in which case GASB prevails. Following are more of the Township's accounting policies.

Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities or the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service. The Township has no business-type activities.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets present the cash balance of the governmental activities of the Township at year-end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the programs goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories: governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Motor Vehicle License Tax Fund is used for the maintenance and upkeep of roads and bridges. The Gasoline Tax Fund is used for Trustee's salary and for the maintenance and up keep of roads. The Road and Bridge Fund is used for the maintenance and up keep of roads and bridges. The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Fiduciary Funds

The Township classifies funds that are not theirs, but that they are managing as fiduciary funds. The Township only has one Fiduciary fund. It is an agency fund. The agency fund of the Township accounts for a 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

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note. There were no modifications having substantial support.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated (except certain agency funds). The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and set limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported in the original budget on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

To improve cash management, cash received by the Township is deposited into a checking account, which earns 5.44 percent interest. In 2006, interest credited to the General Fund was \$2,875.

Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts restricted for other purposes represents special revenue funds restricted to a specific use.

Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Note 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include motor vehicle license tax receipts, gasoline tax receipts, road and bridge, and agency fund monies used for the upkeep of Township roads and bridges.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide statements, transfers within governmental activities are eliminated.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last audit period the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This audit period the Township has implemented the cash basis of accounting. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of fund equity due to this change.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The outstanding encumbrances at year-end for 2006 were \$0.

5. DEPOSITS

Monies held by the Township are classified by State into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, including negotiable order of withdrawal (NOW) accounts.

Inactive deposits are public deposits that the Township has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligation described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution, to secure the repayment of all public monies deposited with the institution. National City Bank is the financial institution for Spencer Township.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS (Continued)

Deposits:

At year ended December 31, 2006, the carrying amount of the Township's deposits was \$136,489 and the bank balance was \$137,549. Of the bank balance, \$100,000 was covered by federal depository insurance and \$37,549 was collateralized by the financial institution's public entity deposit pool. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the Federal Deposit Insurance Corporation.

6. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstance, State statute permits alternate payment dates to be established.

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

Tangible personal property tax is assessed by the property owners, who must be 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.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$ 4,482,100
Agriculture	3,136,950
Commercial/Industrial/Mineral	1,189,270
Public Utility Property	
Real	-
Personal	889,770
Tangible Personal Property	119,130
Total Assessed Value	<u>\$ 9,817,220</u>

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

7. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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’s, 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Retained Earnings	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan’s website, www.ohioplan.org.

Commercial Insurance

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

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Ohio Public Employees Retirement System (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Ohio Public Employees Retirement System

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2006, the members in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$5,387, \$5,403, and \$4,486, respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$5,387 made by the Township and \$3,539 made by the plan members.

Post Employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State Statute. The 2006 local government contribution rate was 13.70 percent of covered payroll, 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 percent and 6 percent annually for the next eight years and 4 percent annually after ten years.

**SPENCER TOWNSHIP
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Ohio Public Employees Retirement System (Continued)

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.1 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

9. DEBT

Long -term debt of the Township as of December 31, 2006 were as follows:

	Balance January 1 2006	Additions	Deductions	Balance December 31 2006	Amount Due Within One Year
General Obligation Bond	\$ -	\$ 54,000	\$ -	\$ 54,000	\$ 9,857

The General Obligation Bond was issued to finance the purchase of a new loader backhoe to be used for Township road maintenance. The bond was issued for \$54,000 at an interest rate of 4.57%. The bond is collateralized solely by the Township's taxing authority.

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

Year Ending December 31	Bond Principal	Bond Interest	Total
2007	\$ 9,857	\$ 2,524	\$ 12,381
2008	10,307	2,017	12,324
2009	10,779	1,546	12,325
2010	11,271	1,054	12,325
2011	<u>11,786</u>	<u>539</u>	<u>12,325</u>
Total	<u>\$ 54,000</u>	<u>\$ 7,680</u>	<u>\$ 61,680</u>

**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.**

Spencer Township
Guernsey County
55050 Iowa Road
Cumberland, Ohio 43732

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencer Township as of and for the year ended December 31, 2006, and have issued our report thereon dated June 28, 2007, wherein we noted the Township followed the cash basis of accounting, a comprehensive accounting basis other 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We have noted other matters in a separate letter to management dated June 28, 2007.

Compliance and Other Matters

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, 2007.

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, 2007



Mary Taylor, CPA
Auditor of State

SPENCER TOWNSHIP

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2007**