



**Auditor of State  
Betty Montgomery**



**SPENCER TOWNSHIP  
ALLEN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Spencer Township  
Allen County  
14165 West Union Road  
Spencerville, OH 45887

To the Board of Trustees:

We have audited the accompanying financial statements of Spencer Township, Allen County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the District'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 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, 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 our report dated April 2, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Spencer Township  
Allen County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 2, 2003

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$19,524	\$47,617		\$67,141
Intergovernmental	31,656	63,515		95,171
Charges for Services		17,183		17,183
Licenses, Permits, and Fees	374			374
Earnings on Investments	703	443		1,146
Other Revenue		10,595		10,595
	<u>52,257</u>	<u>139,353</u>		<u>191,610</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	35,199			35,199
Public Safety		11,287		11,287
Public Works	1,718	87,030		88,748
Health	20,692	14,858		35,550
Debt Service:				
Redemption of Principal			\$5,576	5,576
Interest and Fiscal Charges			119	119
Capital Outlay		19,777		19,777
	<u>57,609</u>	<u>132,952</u>	<u>5,695</u>	<u>196,256</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,352)</u>	<u>6,401</u>	<u>(5,695)</u>	<u>(4,646)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			5,695	5,695
Transfers-Out		(5,695)		(5,695)
Other Financing Sources	135			135
	<u>135</u>	<u>(5,695)</u>	<u>5,695</u>	<u>135</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(5,217)</u>	<u>706</u>		<u>(4,511)</u>
<b>Fund Cash Balances, January 1</b>	<u>12,104</u>	<u>69,438</u>		<u>81,542</u>
<b>Fund Cash Balances, December 31</b>	<u><u>6,887</u></u>	<u><u>70,144</u></u>	<u><u>0</u></u>	<u><u>77,031</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$0</u></u>	<u><u>\$7,918</u></u>	<u><u>\$0</u></u>	<u><u>\$7,918</u></u>

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

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Fiduciary Fund Type</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$77
<b>Operating Cash Disbursements:</b>	
Other	223
Net Receipts Over/(Under) Disbursements	(146)
Fund Cash Balance, January 1	4,329
<b>Fund Cash Balance, December 31</b>	<b>\$4,183</b>

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



**SPENCER TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$20,770	\$51,767		\$72,537
Intergovernmental	46,294	64,778		111,072
Charges for Services		9,670		9,670
Licenses, Permits, and Fees	2,747			2,747
Earnings on Investments	1,298	566		1,864
Other Revenue		13,015		13,015
	<u>71,109</u>	<u>139,796</u>		<u>210,905</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	34,808			34,808
Public Safety		18,014		18,014
Public Works	3,390	62,314		65,704
Health	26,408	18,200		44,608
Debt Service:				
Redemption of Principal			\$10,600	10,600
Interest and Fiscal Charges			752	752
Capital Outlay		1,319		1,319
	<u>64,606</u>	<u>99,847</u>	<u>11,352</u>	<u>175,805</u>
Total Receipts Over/(Under) Disbursements	<u>6,503</u>	<u>39,949</u>	<u>(11,352)</u>	<u>35,100</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			11,352	11,352
Transfers-Out		(11,352)		(11,352)
Other Financing Sources	708			708
	<u>708</u>	<u>(11,352)</u>	<u>11,352</u>	<u>708</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,211	28,597		35,808
Fund Cash Balances, January 1	<u>4,893</u>	<u>40,841</u>		<u>45,734</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$12,104</u></b>	<b><u>\$69,438</u></b>	<b><u>\$0</u></b>	<b><u>\$81,542</u></b>

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

SPENCER TOWNSHIP  
ALLEN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE - NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$202
<b>Operating Cash Disbursements:</b>	
Other	<u>240</u>
Net Receipts Over/(Under) Disbursements	(38)
Fund Cash Balance, January 1	<u>4,367</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$4,329</u></u></b>

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

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Spencer Township, Allen County, (the Township) is a body corporate and politic 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. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Invincible Fire Company to provide fire services and the Spencerville Ambulance Service, Inc., to provide ambulance services.

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 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 budgetary 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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts) that are restricted to expenditure for specific purposes.

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Township had the following significant Special Revenue Funds:

**Motor Vehicle License Tax Fund** – This fund receives license tax money to pay for constructing, maintaining, and repairing Township roads.

**Road and Bridge Fund** - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**Gasoline Tax Fund** - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**Cemetery Fund** – This fund receives revenue from the sale of cemetery lots and charges for services related to burials. The revenues are used to manage the Spencerville Cemetery.

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

**General Retirement** – This fund receives transfers which are used to pay the debt for the dump truck.

**4. Fiduciary Funds (Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

**Cemetery Bequest Fund** – This fund is a non-expendable trust fund for which amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. 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.

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are usually canceled, and reappropriated in the subsequent year. The Township had one encumbrance outstanding at the end of the year 2002, which was carried over, and did not need reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<b>2002</b>	<b>2001</b>
Demand deposits	\$44,622	\$44,743
STAR Ohio	36,592	41,128
Total deposits and investments	\$81,214	\$85,871

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation,

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 is as follows:

<b>2002 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$52,562	\$52,392	(\$170)
Special Revenue	140,175	139,353	(822)
Debt Service	5,866	5,695	(171)
Fiduciary	118	77	(41)
Total	\$198,721	\$197,517	(\$1,204)

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2002 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
	<b>Appropriation</b>	<b>Budgetary</b>	
<b>Fund Type</b>	<b>Authority</b>	<b>Expenditures</b>	<b>Variance</b>
General	\$63,703	\$57,609	\$6,094
Special Revenue	199,547	146,565	52,982
Debt Service	5,866	5,695	171
Fiduciary	403	223	180
Total	<u>\$269,519</u>	<u>\$210,092</u>	<u>\$59,427</u>

<b>2001 Budgeted vs. Actual Receipts</b>			
	<b>Budgeted</b>	<b>Actual</b>	
<b>Fund Type</b>	<b>Receipts</b>	<b>Receipts</b>	<b>Variance</b>
General	\$69,448	\$71,817	\$2,369
Special Revenue	135,345	139,796	4,451
Debt Service	11,370	11,352	(18)
Fiduciary	258	202	(56)
Total	<u>\$216,421</u>	<u>\$223,167</u>	<u>\$6,746</u>

<b>2001 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
	<b>Appropriation</b>	<b>Budgetary</b>	
<b>Fund Type</b>	<b>Authority</b>	<b>Expenditures</b>	<b>Variance</b>
General	\$69,026	\$64,606	\$4,420
Special Revenue	164,271	111,199	53,072
Debt Service	11,370	11,352	18
Fiduciary	275	240	35
Total	<u>\$244,942</u>	<u>\$187,397</u>	<u>\$57,545</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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.

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT**

The Township had a commercial loan for a dump truck, with the final payment being made in May of 2002.

**6. RETIREMENT SYSTEMS**

Township officials and other employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance through Ohio Public Risks Insurance Agency, Inc., for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Spencer Township  
Allen County  
14165 West Union Road  
Spencerville, OH 45887

To the Board of Trustees:

We have audited the accompanying financial statements of Spencer Township, Allen County, (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated April 2, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. We noted one instance of noncompliance, which is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings as item 2002-40202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 2, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 weaknesses. 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 that 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 2, 2003.

Spencer Township  
Allen County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 2, 2003

**SPENCER TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER: 2002-40202-001</b>	<b>FINDING REPAID WHILE UNDER AUDIT</b>
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**Wages**

During 2001, a part-time employee of the Township was overpaid \$152.00 in wages due to a miscalculation of the employee's time card. Pursuant to Ohio Rev. Code Section 117.28, this represents public money inappropriately expended. The following is the pay period and date where overpayment was made:

<u>Pay Period</u>	<u>Hours</u>	<u>Rate</u>	<u>Calculation</u>	<u>Amount Paid</u>	<u>Variance</u>
August 2001	79.50	\$9.50	\$ 755.25	\$ 907.25	\$ 152.00

This amount was reimbursed to the Township on March 28, 2003, by certified check, accepted by receipt number 36-2003, and deposited to the Township treasury on March 29, 2003.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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**SPENCER TOWNSHIP**

**ALLEN 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  
MAY 8, 2003**