

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND 2005





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Spencer Township  
14165 W. Union Road  
Spencerville, Ohio 45887

We have reviewed the *Independent Auditor's Report* of Spencer Township, Allen County, prepared by E. S. Evans and Company, for the audit period January 1, 2005 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.

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.

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Mary Taylor, CPA  
Auditor of State

November 30, 2007

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SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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# ***E.S. Evans and Company***

**Certified Public Accountants and Consultants**

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

November 9, 2007

## INDEPENDENT AUDITOR'S REPORT

Spencer Township  
Allen County, Ohio

We have audited the accompanying financial statements of Spencer Township, Allen County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in red ink, appearing to read "E. J. Green and Company".



SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL  
FUND TYPES

For the Year Ended December 31, 2006

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>				
Local Taxes	\$ 22,678	\$ 61,458	\$ -	\$ 84,136
Licenses, Permits, and Fees	2,447	18,301	-	20,748
Intergovernmental Revenues	23,888	105,945	-	129,833
Interest Revenues	1,156	894	203	2,253
Miscellaneous	-	10,750	-	10,750
Total Cash Receipts	<u>50,169</u>	<u>197,348</u>	<u>203</u>	<u>247,720</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	26,627	-	-	26,627
Public Safety	-	21,244	-	21,244
Public Works	5,860	139,874	-	145,734
Health	17,477	24,621	-	42,098
Other	-	-	85	85
Capital Outlay	-	13,907	-	13,907
Total Cash Disbursements	<u>49,964</u>	<u>199,646</u>	<u>85</u>	<u>249,695</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	205	(2,298)	118	(1,975)
<u>Fund Cash Balance - January 1, 2006</u>	<u>7,281</u>	<u>135,363</u>	<u>4,158</u>	<u>146,802</u>
<u>Fund Cash Balance - December 31, 2006</u>	<u>\$ 7,486</u>	<u>\$ 133,065</u>	<u>\$ 4,276</u>	<u>\$ 144,827</u>

The accompanying notes are an integral part  
of these financial statements.

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL  
FUND TYPES

For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>				
Local Taxes	\$ 22,884	\$ 63,570	\$ -	\$ 86,454
Licenses, Permits, and Fees	1,310	21,842	-	23,152
Intergovernmental Revenues	20,494	90,265	-	110,759
Interest Revenues	592	869	126	1,587
Miscellaneous	-	13,200	-	13,200
Total Cash Receipts	<u>45,280</u>	<u>189,746</u>	<u>126</u>	<u>235,152</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	28,216	-	-	28,216
Public Safety	-	20,561	-	20,561
Public Works	3,174	113,414	-	116,588
Health	13,006	18,305	-	31,311
Other	-	-	55	55
Capital Outlay	-	8,021	-	8,021
Total Cash Disbursements	<u>44,396</u>	<u>160,301</u>	<u>55</u>	<u>204,752</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	884	29,445	71	30,400
<u>Fund Cash Balance - January 1, 2005</u>	<u>6,397</u>	<u>105,918</u>	<u>4,087</u>	<u>116,402</u>
<u>Fund Cash Balance - December 31, 2005</u>	<u>\$ 7,281</u>	<u>\$ 135,363</u>	<u>\$ 4,158</u>	<u>\$ 146,802</u>

The accompanying notes are an integral part  
of these financial statements.

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Spencer Township, Allen County, (the Township), as a political and corporate body. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Invincible Fire Company, Inc. to provide fire protection services and Spencerville Ambulance Service, Inc. to provide ambulance services.

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

Basis of Accounting

These financial statements follow the accounting basis prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received 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.

Cash and Investments

The Township maintains a checking account and an account with STAROhio which is valued at cost.

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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

The Special Revenue Funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

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

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

Road and Bridge Fund – This fund receives property tax money to pay for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Fund – This fund receives money from fees and services to maintain the general upkeep of the cemeteries.

Special Levy Fund – This fund receives property and local tax money to pay for fire and ambulance service contracts for the Township.

Permanent Funds

The Permanent Funds are funds in which the principal may not be expended. The interest earned on the funds is used to maintain cemeteries within the Township.

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies

Budgetary Process

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

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.

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. Appropriations lapse at year end.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

Property, Plant and Equipment

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

Accumulated Leave

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

Note 2 – Equity in Pooled Cash

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 115,699	\$ 118,941
STAROhio	29,128	27,861
Total Deposits	<u>\$ 144,827</u>	<u>\$ 146,802</u>

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

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 61,205	\$ 50,169	\$ (11,036)
Special Revenue	314,638	197,348	(117,290)
Permanent	244	203	(41)
	<u>\$ 376,087</u>	<u>\$ 247,720</u>	<u>\$ (128,367)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 58,204	\$ 49,964	\$ 8,240
Special Revenue	268,377	199,646	68,731
Permanent	243	85	158
	<u>\$ 326,824</u>	<u>\$ 249,695</u>	<u>\$ 77,129</u>

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 50,011	\$ 45,280	\$ (4,731)
Special Revenue	285,279	189,746	(95,533)
Permanent	113	126	13
	<u>\$ 335,403</u>	<u>\$ 235,152</u>	<u>\$ (100,251)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 47,626	\$ 44,396	\$ 3,230
Special Revenue	234,466	160,301	74,165
Permanent	113	55	58
	<u>\$ 282,205</u>	<u>\$ 204,752</u>	<u>\$ 77,453</u>

Contrary to Ohio law, appropriations exceeded actual available resources by \$756 in the General Fund at December 31, 2006.

SPENCER TOWNSHIP  
ALLEN COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

Note 5 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their gross salary. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. For 2006, OPERS members contributed 9.0 percent of their gross salary. The Township contributed an amount equaling 13.70 percent of participants' gross salaries. The Township has paid all required contributions through December 31, 2006.

Note 6 - Risk Management

Commercial Insurance

The Township has obtained commercial insurance through EMC Insurance Company for the following risks:

- Comprehensive property and general liability
- Vehicles
- Inland Marine
- Errors and Omissions





# ***E.S. Evans and Company***

**Certified Public Accountants and Consultants**

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P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

November 9, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Spencer Township  
Allen County, Ohio

We have audited the financial statements of the Spencer Township, Allen County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 9, 2007, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spencer Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Spencer 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 the normal course of 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 Spencer 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 a misstatement of Spencer Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Spencer Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain internal control matters that we reported to Spencer Township's management in separate letter dated November 9, 2007.

#### Compliance and Other Matters

As part of reasonably assuring whether Spencer Township's 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

In a separate letter to Spencer Township's management dated November 9, 2007, we reported matters related to noncompliance.

We intend this report solely for the information and use of management of Spencer Township and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ... and ...", is located in the lower right quadrant of the page.



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 13, 2007**