



**SPENCER TOWNSHIP
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Spencer Township
Guernsey County
6910 Glenwood Road
Cumberland, Ohio 43732

To the Board of Trustees:

We have audited the accompanying financial statements of Spencer Township, Guernsey County, Ohio, (the Township) as of and for the years ended December 31, 1998, and December 31, 1997. 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 generally accepted auditing standards 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 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 combined fund cash balances of Spencer Township, Guernsey County, as of December 31, 1998, and December 31, 1997, and its combined cash receipts and cash 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 December 8, 1999, 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 grants.

This report is intended solely for the information and use of management, Board of Trustees, and other officials authorized to receive this report under Section 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 8, 1999

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Local Taxes	\$10,425	\$21,172	\$31,597
Intergovernmental	11,300	116,069	127,369
Interest	1,245	1,638	2,883
All Other Revenue	0	41,739	41,739
Total Cash Receipts	22,970	180,618	203,588
Cash Disbursements:			
General Government	12,081	0	12,081
Public Safety	0	6,104	6,104
Public Works	0	126,054	126,054
Health	245	0	245
Total Cash Disbursements	12,326	132,158	144,484
Total Cash Receipts Over/(Under) Cash Disbursements	10,644	48,460	59,104
Other Financing Sources/(Uses):			
Other Uses	(430)	0	(430)
Total Other Financing Sources/(Uses)	(430)	0	(430)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	10,214	48,460	58,674
Fund Cash Balances January 1	5,223	45,622	50,845
Fund Cash Balances, December 31	\$15,437	\$94,082	\$109,519

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Agency	
Cash Receipts:				
Local Taxes	\$9,127	\$19,043	\$0	\$28,170
Licenses, Permits and Fees	0	0	2,500	2,500
Intergovernmental	5,529	60,936	0	66,465
Interest	1,078	1,060	0	2,138
All Other Revenue	0	7,739	0	7,739
Total Cash Receipts	15,734	88,778	2,500	107,012
Cash Disbursements:				
General Government	13,159	0	0	13,159
Public Safety	0	6,000	0	6,000
Public Works	0	77,478	0	77,478
Health	166	0	0	166
Miscellaneous	0	0	7,120	7,120
Capital Outlay	780	0	0	780
Total Cash Disbursements	14,105	83,478	7,120	104,703
Total Cash Receipts Over/(Under) Cash Disbursements	1,629	5,300	(4,620)	2,309
Other Financing Sources/(Uses):				
Proceeds From Sale of Public Debt				
Transfers-In	0	380	0	380
Transfers-Out	0	0	(380)	(380)
Other Sources	8	0	0	8
Other Uses	(211)	0	0	(211)
Total Other Financing Sources/(Uses)	(203)	380	(380)	(203)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	1,426	5,680	(5,000)	2,106
Fund Cash Balances January 1	3,797	39,942	5,000	48,739
Fund Cash Balances, December 31	\$5,223	\$45,622	\$0	\$50,845

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 - 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Spencer Township, Guernsey 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 general governmental services, including maintenance of roads. The Township contracts with the Cumberland Volunteer Fire Department for fire protection.

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 a payment is made 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

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 that is restricted as to use. The Township classifies its funds into the following types:

General Fund

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

Special Revenue Funds

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

Motor Vehicle License Tax- This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

Gasoline Tax Fund- This fund receives gasoline tax money to construct, maintain and repair Township roads.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 - 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds (Continued)

FEMA Fund- This fund receives money from the Federal Emergency Management Agency to provide flood relief to the Township.

Agency Fund - This fund has been established by the Township to hold road bond monies.

D. Budgetary Process

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

Appropriations

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances. The County Budget Commission must also approve estimated resources.

Encumbrances

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

A summary of 1998 and 1997 budgetary activity appears in Note 3.

E. 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 investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. At December 31, the Township held the following:

	<u>1998</u>	<u>1997</u>
Demand Deposits	\$ 99,233	\$41,097
STAR Ohio	<u>10,286</u>	<u>10,748</u>
Total Deposits and Investments	<u>\$109,519</u>	<u>\$50,845</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 - 1997
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997, was as follows:

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 19,802	\$ 22,970	\$ 3,168
Special Revenue	124,799	180,618	55,819
Agency Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$144,601</u>	<u>\$203,588</u>	<u>\$58,987</u>

1998 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$20,800	\$12,756	\$8,044
Special Revenue	155,004	132,158	22,846
Agency Fund	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$175,804</u>	<u>\$144,914</u>	<u>\$30,890</u>

1997 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$14,532	\$15,742	\$1,210
Special Revenue	76,203	89,158	12,955
Agency Fund	<u>2,500</u>	<u>2,500</u>	<u>0</u>
Total	<u>\$93,235</u>	<u>\$107,400</u>	<u>\$14,165</u>

1997 Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$17,060	\$14,316	\$2,744
Special Revenue	107,500	83,478	24,022
Agency Fund	<u>7,500</u>	<u>7,500</u>	<u>0</u>
Total	<u>\$132,060</u>	<u>\$105,294</u>	<u>\$26,766</u>

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 - 1997
(Continued)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of the Township. 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.

5. RETIREMENT SYSTEM

The Township's employees, as well as the Trustees and Clerk, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, 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 1998 and 1997, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1998.

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

7. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Township's operations as early as fiscal year 1999.

The Township leases the Auditor of State's Uniform Accounting Network (UAN) system for its financial operations. The Auditor of State is responsible for remediating these systems and is solely responsible for any costs associated with this project. As of December 31, 1998, the Auditor of State was validating and testing the UAN system. The Auditor of State released a validated and tested version of UAN in 1999. The Township must install the updated release prior to the end of 1999 to help assure the continued proper processing of UAN transactions.

Tax collection for the Township is handled by Guernsey County. The County is responsible for remediating this system, and is solely responsible for any costs associated with this project.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 - 1997
(Continued)

7. YEAR 2000 ISSUE (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Township is or will be Year 2000 ready, that the Township's remediation efforts will be successful in whole or in part, or that parties with whom the Township does business will be Year 2000 ready.

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

Board of Trustees
Spencer Township
Guernsey County
6910 Glenwood Road
Cumberland, Ohio 43732

To the Board of Trustees:

We have audited the accompanying financial statements of Spencer Township, Guernsey County, Ohio (the Township) as of and for the years ended December 31, 1998, and December 31, 1997, and have issued our report thereon dated December 8, 1999. We conducted our audit in accordance with generally accepted auditing standards 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. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated December 8, 1999.

This report is intended for the information and use of the 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 8, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JANUARY 18, 2000**