



Mary Taylor, CPA  
Auditor of State



**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Spencer Township Park District  
Allen County  
P.O. Box 103  
Spencerville, Ohio 45887

To the Board of Commissioners:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

March 9, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Spencer Township Park District  
Allen County  
P.O. Box 103  
Spencerville, Ohio 45887

To the Board of Commissioners:

We have audited the accompanying financial statements of the Spencer Township Park District, Allen County, (the District), as of and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District 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.

While the District does not follow GAAP, generally accepted auditing standards requires 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 the District to reformat their statements. The District 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Spencer Township Park District, Allen County, as of December 31, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District 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 March 9, 2009, 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 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.



**Mary Taylor, CPA**  
Auditor of State

March 9, 2009



**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Governmental Fund Type</b>
	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental Revenue	\$4,881
Interest Income	178
Total Cash Receipts	<u>5,059</u>
<b>Cash Disbursements:</b>	
Current Disbursements	
Materials and Supplies	455
Contracts - Services	1,457
Other	260
Capital Outlay	1,093
Total Cash Disbursements	<u>3,265</u>
Total Receipts Over/(Under) Disbursements	1,794
Fund Cash Balance, January 1	<u>14,771</u>
Fund Cash Balance, December 31	<u><u>\$16,565</u></u>

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

**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Governmental Fund Type General</b>
<b>Cash Receipts:</b>	
Intergovernmental Revenue	\$5,530
Interest	197
Total Cash Receipts	5,727
<b>Cash Disbursements:</b>	
Current Disbursements	
Materials and Supplies	534
Contracts - Services	2,899
Other	265
Worker's Compensation	100
Capital Outlay	4,821
Total Cash Disbursements	8,619
Total Receipts Over/(Under) Disbursements	(2,892)
Fund Cash Balance, January 1	17,663
Fund Cash Balance, December 31	\$14,771

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

**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Auglaize Township Park District, Allen County, (the District) as a body corporate and politic. The probate judge of Allen County appoints a five-member Board of Commissioners to govern the District. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect and promote the use of these assets conducive to the general welfare.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash and Investments**

All District funds were held in demand deposit accounts.

**D. Fund Accounting**

The District uses fund accounting and classifies its fund into the following type:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. The District did not use the encumbrance method of accounting.

**F. Property, Plant, and Equipment**

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

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

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand Deposits	<u>\$16,565</u>	<u>\$14,771</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

For the years 2008 and 2007, the District did not adopt a budget, prepare and certify available resources, nor were annual appropriation measures adopted, as required by the Ohio Revised Code Sections 5705.28, 5705.36 and 5705.38, respectively. Also, certifications were not obtained that funds had been lawfully appropriated and were available for expenditure, as required by Ohio Rev. Code Section 5705.41(D).

**4. RISK MANAGEMENT**

The District has obtained commercial insurance for comprehensive property and general liability.



# Mary Taylor, CPA

Auditor of State

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

Spencer Township Park District  
Allen County  
P.O. Box 103  
Spencerville, Ohio 45887

To the Board of Commissioners:

We have audited the financial statements of the Spencer Township Park District, Allen County, (the District), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated March 9, 2009, wherein we noted the District 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 District'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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

**Internal Control Over Financial Reporting  
(Continued)**

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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above as finding number 2008-003 is also a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 9, 2009.

We intend this report solely for the information and use of the management and the Board of Commissioners. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 9, 2009

**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance - Budgetary Requirements**

The Park District as a legally separate entity established under Ohio Rev Code 1545, has not followed the applicable Ohio Revised Code sections pertaining to budgetary requirements as follows:

**Ohio Rev. Code Section 5705.28(B)(2)(a)** states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission; **b)** except for this section and sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code, and documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

**Ohio Rev. Code Section 5705.36(A)(1)** states in part, that on or about the first day of each fiscal year the fiscal officer shall prepare a certificate of the total amount from each fund set up in the tax budget which is available for expenditure in the tax budget along with any encumbered balances that existed at the end of the preceding year.

**Ohio Rev. Code Section 5705.38(A)** states that on or about the first day of each year, the Board shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the entity until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

**Ohio Rev. Code Section 5705.40** stipulates that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

**Ohio Rev. Code Section 5705.41** states that no subdivision or taxing unit shall: (A) Make any appropriation of money except as provided in Chapter 5705. of the Revised Code; (B) Make any expenditure of money unless it has been appropriated as provided in such chapter; and (C) Make any expenditure of money except by a proper warrant drawn against an appropriate fund.

The District, as a legally separate entity, should follow the budgetary requirements listed above; the documents should be completed, and Board approval documented within the minutes.

## FINDING NUMBER 2008-002

### Noncompliance – Prior Certification of Obligations

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2008 and 2007, the District did not certify the availability of funds for any transactions. Failure to properly obtain certification of the availability of funds can result in overspending and a possible negative fund cash balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the District should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.



**FINDING NUMBER 2008-003**

**Material Weakness – Accounting Ledgers**

A receipt and appropriation ledger was not utilized in tracking the financial activity of the District. The information provided for audit was only a summary of the transaction activity and did not have the detail that ledgers would provide such as dates, receipt and check numbers, the sources of the revenues and the type of expenditures. The summary did not provide the report classifications for \$5,060 and \$5,728 in revenues and \$3,266 and \$8,619 in expenditures for 2008 and 2007, respectively. Failure to utilize the appropriate accounting ledgers leads to problems in properly accounting for the revenues and expenditures and determining the proper classifications for financial statement reporting purposes.

Ohio Admin Code Section 117-2-02 stipulates that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides. Such records should include the following:

- a. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger;
- b. Appropriation ledger, which may assemble and classify expenditures into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns; and
- c. This section also contains information on various procedures, including budgetary, and on other records that are required to be maintained.

The District should utilize the required ledgers for tracking the financial activity of the District. The section of the Administrative Code indicated above may also be referenced for additional information regarding financial requirements.

**Officials' Response:**

Officials did not respond to the findings above.

**SPENCER TOWNSHIP PARK DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Rev. Code Section 5705.28 - Adoption of Operating Budget	No	Repeated as Finding 2008-001
2006-002	Ohio Rev. Code Section 5705.36(A)(1) - Certification of Total Estimated Receipts	No	Repeated as Finding 2008-001
2006-003	Ohio Rev. Code Section 5705.38 - Adoption of Annual Appropriation Measure	No	Repeated as Finding 2008-001
2006-004	Ohio Rev. Code Section 5705.41(D) – certifying the availability of appropriations prior to entering into purchase obligations	No	Repeated as Finding 2008-002
2006-005	Ohio Rev. Code Section 117.38 – Filing of Annual Report	Yes	
2006-006	Material Weakness – Accounting Records Ohio Admin Code Section 117-2-02	No	Repeated as Finding 2008-003
2006-007	Ohio Rev. Code Section 9.38 – Timely Deposit of Collections	Yes	



**Mary Taylor, CPA**  
Auditor of State

**SPENCER TOWNSHIP PARK DISTRICT**

**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  
APRIL 14, 2009**