



Dave Yost • Auditor of State

**SPENCER TOWNSHIP
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Spencer Township, Allen County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Spencer Township, Allen County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As described in Note 7, the Township restated its fund balances for Permanent Fund and Private Purpose Trust Fund as of January 1, 2013.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 22, 2015

**SPENCER TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$24,414	\$68,463	\$92,877
Licenses, Permits and Fees	1,918	20,568	22,486
Intergovernmental	33,341	104,800	138,141
Earnings on Investments	52	19	71
Miscellaneous	0	10,600	10,600
Total Cash Receipts	<u>59,725</u>	<u>204,450</u>	<u>264,175</u>
Cash Disbursements:			
Current:			
General Government	30,116	23,814	53,930
Public Safety	0	24,490	24,490
Public Works	698	107,797	108,495
Health	19,011	34,982	53,993
Capital Outlay	0	633	633
Total Cash Disbursements	<u>49,825</u>	<u>191,716</u>	<u>241,541</u>
Excess of Receipts Over (Under) Disbursements	<u>9,900</u>	<u>12,734</u>	<u>22,634</u>
Other Financing Receipts (Disbursements):			
Other Financing Sources	2,999	638	3,637
Total Other Financing Receipts (Disbursements)	<u>2,999</u>	<u>638</u>	<u>3,637</u>
Net Change in Fund Cash Balances	12,899	13,372	26,271
Fund Cash Balances, January 1	<u>114,510</u>	<u>273,706</u>	<u>388,216</u>
Fund Cash Balances, December 31:			
Restricted	0	227,450	227,450
Committed	0	59,628	59,628
Assigned	27,836	0	27,836
Unassigned (Deficit)	99,573	0	99,573
Fund Cash Balances, December 31	<u>\$127,409</u>	<u>\$287,078</u>	<u>\$414,487</u>

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

**SPENCER TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments (trust funds only)	\$1
Total Operating Cash Receipts	<u>1</u>
Operating Cash Disbursements:	
Total Operating Cash Disbursements	<u>0</u>
Net Change in Fund Cash Balances	1
Fund Cash Balances, January 1	<u>4,067</u>
Fund Cash Balances, December 31	<u><u>\$4,068</u></u>

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

**SPENCER TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$24,337	\$68,424		\$92,761
Licenses, Permits and Fees	506	29,058		29,564
Intergovernmental	87,829	103,587	\$102,565	293,981
Earnings on Investments	55	20		75
Miscellaneous	0	15,100		15,100
Total Cash Receipts	<u>112,727</u>	<u>216,189</u>	<u>102,565</u>	<u>431,481</u>
Cash Disbursements:				
Current:				
General Government	37,367	23,033		60,400
Public Safety	0	24,525		24,525
Public Works	1,168	85,294		86,462
Health	42,449	11,757		54,206
Capital Outlay	0	23,993	102,565	126,558
Total Cash Disbursements	<u>80,984</u>	<u>168,602</u>	<u>102,565</u>	<u>352,151</u>
Excess of Receipts Over (Under) Disbursements	<u>31,743</u>	<u>47,587</u>	<u>0</u>	<u>79,330</u>
Other Financing Receipts (Disbursements):				
Other Financing Sources	0	207	0	207
Total Other Financing Receipts (Disbursements)	<u>0</u>	<u>207</u>	<u>0</u>	<u>207</u>
Net Change in Fund Cash Balances	31,743	47,794	0	79,537
Fund Cash Balances, January 1	<u>82,767</u>	<u>225,912</u>	<u>0</u>	<u>308,679</u>
Fund Cash Balances, December 31:				
Restricted	0	230,243	0	230,243
Committed	0	43,463	0	43,463
Assigned	17,781	0	0	17,781
Unassigned (Deficit)	96,729	0	0	96,729
Fund Cash Balances, December 31	<u>\$114,510</u>	<u>\$273,706</u>	<u>\$0</u>	<u>\$388,216</u>

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

**SPENCER TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments (trust funds only)	\$2
Total Operating Cash Receipts	<u>2</u>
Operating Cash Disbursements:	
Total Operating Cash Disbursements	<u>0</u>
Net Change in Fund Cash Balances	2
Fund Cash Balances, January 1	<u>4,065</u>
Fund Cash Balances, December 31	<u><u>\$4,067</u></u>

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

**SPENCER TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Spencer Township, Allen County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Invincible Fire Company, Inc., to provide fire services and Spencerville Ambulance Services, Inc., to provide ambulance services.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**SPENCER TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax Fund – This fund receives gasoline 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.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the Ohio Public Works Commission for road maintenance and repair.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. 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 2014 and 2013 budgetary activity appears in Note 3.

**SPENCER TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**SPENCER TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$283,752	\$257,525
STAR Ohio	134,803	134,758
Total deposits and investments	\$418,555	\$392,283

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

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, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,238	\$62,724	\$28,486
Special Revenue	191,471	205,088	13,617
Fiduciary	2	1	(1)
Total	\$225,711	\$267,813	\$42,102

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,883	\$49,825	\$3,058
Special Revenue	263,684	191,716	71,968
Fiduciary	24	0	24
Total	\$316,591	\$241,541	\$75,050

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,887	\$112,727	\$1,840
Special Revenue	195,965	216,396	20,431
Capital Projects	102,565	102,565	0
Fiduciary	3	2	(1)
Total	\$409,420	\$431,690	\$22,270

**SPENCER TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,008	\$80,984	\$5,024
Special Revenue	261,572	168,602	92,970
Capital Projects	102,565	102,565	0
Fiduciary	24	0	24
Total	\$450,169	\$352,151	\$98,018

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. RETIREMENT SYSTEMS

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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

**SPENCER TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RESTATEMENT OF FUND BALANCE

For 2013, the Township modified its financial statements to reflect the reclassification of its Nonexpendable and Expendable Trust Funds from Governmental Permanent Funds to Fiduciary Private Purpose Trust Funds. The reclassification decreased the beginning fund balances of Permanent Funds and increase beginning fund balance of Private Purpose Trust Funds by \$4,065 as of January 1, 2013.



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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Spencer Township, Allen County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report there on dated May 22, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Also as disclosed in Note 7, the Township restated the beginning fund balances for their Permanent Funds and Private Purpose Trust Funds as of January 1, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township'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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 22, 2015

**SPENCER TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2014-001

Trustee's Salary and Insurance Reimbursement Allocation - Noncompliance/Material Weakness

Ohio Rev. Code §505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, **Ohio Revised Code §505.24(C)** permits trustees to received annual salaries instead of per diem payments. As the law existed prior to HB 153, this section of the Ohio Revised Code required townships to provide documentation to support amounts paid from funds other than the general fund.

Effective September 29, 2011, House Bill 153 modified Ohio Rev. Code §505.24 (C) to require by a unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

The Township Trustees certified their payroll allocation each pay in 2013 and 2014 by recording hours worked on the road and cemetery. The 2013 certifications did not accurately reflect the trustee's activity in each month; however, allocations for year overall were acceptable. The 2014 certifications did not include adequate allocation to the General Fund for the Trustees activities each month. The following amounts were adjusted on the financial statements and posted in the UAN system: Decreased General Fund balance by \$2,117 and increased Special Revenue Funds by \$2,117 (Road & Bridge Fund \$1,019 and Gasoline Tax Fund \$1,098).

Additionally, the insurance reimbursements for the Trustees and Fiscal Officer in 2014 and 2013 did not follow the payroll allocation and were posted 100% to the Road & Bridge Fund as follows:

2014 – The following amounts were adjusted on the financial statements and posted in the UAN system: Decreased General Fund by \$4,304, Motor Vehicle License Tax Fund by \$560, Gasoline Tax Fund by \$3,008, Cemetery Fund by \$2,256 and increased Road & Bridge Fund by \$10,128.

2013 – The following amounts were adjusted on the financial statements and posted in the UAN system: Decreased General Fund by \$4,222, Motor Vehicle License Tax Fund by \$1,088, Gasoline Tax Fund by \$2,496, Cemetery Fund by \$1,024 and increased Road & Bridge Fund by \$8,830.

The Township should implement procedures to provide that each payroll certification lists the general fund and any other fund's percentage to be posted to that fund and not the hours worked. The Trustees salaries should be posted in the UAN system according to the percentage allocation certified by the Trustees each month. All payroll benefits (OPERS, federal, state, and local taxes and insurance reimbursements) should also be posted according to payroll allocations.

Official's Response:

The trustees will begin recording their time as percentages that reflect the time spent in each fund, each month.

FINDING 2014-002

Private Purpose Trust Funds – Noncompliance/Material Weakness

As authorized under Ohio Rev. Code §117.38, AOS has required local governments not required to conform to generally accepted accounting principles (GAAP) to prepare their annual reports using the same fund categories and same fund types as provided for in GAAP. Among the fund classifications provided for in GAAP are “Government Funds – Permanent Funds” and “Fiduciary Funds – Private Purpose Trust Funds”.

As the Ohio Township Handbook discusses and Auditor of State Bulletin 2005-005 indicates, nonexpendable and expendable trust funds should be reported as a permanent fund if the township can spend the principal/earnings on its own programs or as a private purpose trust if the township can only spend the principal/earnings on other individuals, organizations, or other governments.

During the audit, we found only two trust fund agreements, of which one was an expendable trust and the other was non-expendable, both with the specific purpose of supplying flowers on specific graves, therefore, these trust funds should be reported as private purpose trust funds but were reported as permanent funds. No documentation could be located for the other four trusts.

The financial statements for 2014 and 2013 were adjusted accordingly.

2014	Beginning Fund Balance	Earnings on Investments	Ending Fund Balance
Permanent Fund	(\$4,067)	(\$1)	(\$4,068)
Private Purpose Trust Fund	\$4,067	\$1	\$4,068

2013	Beginning Fund Balance	Earnings on Investments	Ending Fund Balance
Permanent Fund	(\$4,065)	(\$2)	(\$4,067)
Private Purpose Trust Fund	\$4,065	\$2	\$4,067

The Township should research the remaining trust agreements so that the funds are properly account for and classify as private purpose trusts, as well as to determine the purpose and principal amount of each fund and assuring that the trust agreement are spent as the family’s wishes.

Official’s Response:

The trustees had the understanding that the funds were created from money issued to the Township from individuals with only the interest earned from the principle balance to be spent on flowers for individual’s graves. The trustees will continue to investigate past records to determine the principle amount for all funds and then classify them correctly.

FINDING 2014-003

Classification of Financial Activity – Material Weakness

The Township should have procedures and controls in place to provide that all financial transactions are correctly recorded in the Uniform Accounting Network (UAN) system and financial statements to assist in the effective management and reporting of financial resources.

2014 Homestead and rollback receipts in the amount of \$8,489 were posted in the General Fund instead of being allocated to Road & Bridge in the amount of \$5,844 and Fire Funds in the amount of \$2,645, as required. The accompanying financial statements and the Township’s records have been adjusted to correctly classify these transactions listed above.

**FINDING 2014-003
(Continued)**

The failure to correctly classify financial activity in the UAN system and financial statements may impact the user's understanding of the financial operations, the Township's ability to make sound financial decisions, the Township's ability to comply with budgetary laws, and result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner.

The Township should review the Ohio Township Handbook, Auditor of State Bulletins and other resources available for guidance in an effort to correctly classify receipts, expenditures, and fund balances.

Official's Response:

The trustees will review the Ohio Township Handbook and other resources to develop procedures to help detect when financial transactions are not recorded properly.

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Dave Yost • 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
JUNE 11, 2015**