

***VILLAGE OF SPENCERVILLE***

**AUDIT REPORT**

**For the Years Ended December 31, 1999 and 2000**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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The Honorable Mayor and Village Council  
Village of Spencerville  
116 S. Broadway St.  
Spencerville, OH 45887

We have reviewed the independent auditor's report of the Village of Spencerville, Allen County, prepared by Charles E. Harris & Associates, for the audit period January 1, 1999 through December 31, 2000. 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.

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. The Village of Spencerville is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

September 17, 2001

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**VILLAGE OF SPENCERVILLE**  
**Audit Report**  
**For the years ended December 31, 1999 and 2000**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Elected Officials	iii
Administrative Personnel	iv
Index of Funds	v
Report of Independent Accountants	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types - December 31, 1999	2
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types - December 31, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type and Similar Fiduciary Funds - For the Year Ended December 31, 1999	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type and Similar Fiduciary Funds - For the Year Ended December 31, 2000	7
Combined Statement of Receipts - Budget and Actual - For the Year Ended December 31, 1999	8
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 1999	9
Combined Statement of Receipts - Budget and Actual - For the Year Ended December 31, 2000	10
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 2000	11

**VILLAGE OF SPENCERVILLE**  
**Audit Report**  
**For the years ended December 31, 1999 and 2000**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Notes to the Financial Statements	12-27
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29-30
Status of Prior Year's Citations and Recommendations	31

**VILLAGE OF SPENCERVILLE**  
**AUDIT REPORT**  
For the years ended December 31, 1999 and 2000

**ELECTED OFFICIALS**

<b><u>ELECTED OFFICIAL</u></b>	<b><u>TITLE</u></b>	<b><u>TERM OF OFFICE</u></b>	<b><u>SURETY</u></b>
Lynn D. Cummins	Mayor	1/1/00 - 12/31/03	(A)
Edward Barnett	Council- President	11/1/98 - 12/31/01	
Brian Ringwald	Council	1/24/00 - 12/31/03	
Mary Zimmerman	Council	1/1/98 - 12/31/01	
Anna B. Kennedy	Council	1/1/00 - 12/31/03	
Melville Fryer	Council	1/1/98 - 12/31/01	
Charles Daley	Council	11/1/99 - 12/31/01	
Dawn Bailey	Clerk-Treasurer	4/1/00 - 3/31/04	(B)

(A) Auto-Owners Insurance Co. in the amount of \$2,500

(B) Auto-Owners Insurance Co. in the amount of \$40,000

**Law Director**

Marie Von der Embse  
558 West Spring Street  
Lima, Ohio 45801

**VILLAGE OF SPENCERVILLE**  
**AUDIT REPORT**  
**For the years ended December 31, 1999 and 2000**

**ADMINISTRATIVE OFFICIALS**

<b><u>APPOINTED OFFICIALS</u></b>	<b><u>TITLE</u></b>	<b><u>TERM OF OFFICE</u></b>
Sean Chapman	Village Administrator	Continuous
Harold Zinsmeister	Police Chief	Continuous



**VILLAGE OF SPENCERVILLE**  
**AUDIT REPORT**  
For the years ended December 31, 1999 and 2000

**INDEX OF FUNDS**

**GOVERNMENTAL FUND TYPES:**

**General Fund Types:**  
General Fund

**Special Revenue Fund Types:**  
Street Construction, Maintenance and Repair Fund  
Street Highway Improvement Fund  
Permissive Motor Vehicle License Tax Fund

**Debt Service Funds:**  
General Obligation Bond Retirement Fund  
Special Assessment Debt Fund

**Capital Projects Fund:**  
Capital Projects Fund

**PROPRIETARY FUND TYPES:**

**Enterprise Funds:**  
Water Operating Fund  
Sewer Operating Fund  
Recreation Fund  
Garbage Fund  
Enterprise Improvement Construction Fund  
First Mortgage Debt Service Fund  
Debt Service Reserve Fund

**FIDUCIARY FUND TYPES:**

**Agency Funds:**  
Income Tax Fund  
Mayor's Court Fund

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**The Honorable Mayor and Members  
of Village Council  
Village of Spencerville  
Spencerville, Ohio**

We have audited the accompanying financial statements of the Village of Spencerville (the Village), as of and for the years ended December 31, 1999 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Village'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 and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village 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 cash, investments and fund cash balances of the Village, as of December 31, 1999 and 2000, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of expenditures and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting referred to above.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, 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.

*Charles E. Harris & Associates, Inc.*  
August 29, 2001

**VILLAGE OF SPENCERVILLE**  
**ALLEN COUNTY**

COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND  
CASH BALANCES - ALL FUND TYPES  
AS OF DECEMBER 31, 1999

Cash and Cash Equivalents	\$ 727,416
Investments	<u>300,000</u>
Total	\$ <u>1,027,416</u>

CASH BALANCES BY FUND CLASS

Governmental Funds:	
General	\$ 132,222
Special Revenue	20,806
Debt Service	177
Capital Projects	<u>279,432</u>
Total Governmental Funds	<u>432,637</u>
Proprietary Funds:	
Enterprise	<u>594,779</u>
Total Proprietary Funds	<u>594,779</u>
Fiduciary Funds:	
Agency Funds	<u>-</u>
Total Fiduciary Funds	<u>-</u>
Total	\$ <u>1,027,416</u>

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

**VILLAGE OF SPENCERVILLE**  
**ALLEN COUNTY**

COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND  
CASH BALANCES - ALL FUND TYPES  
AS OF DECEMBER 31, 2000

Cash and Cash Equivalents	\$ 720,639
Investments	<u>400,000</u>
Total	\$ <u>1,120,639</u>

CASH BALANCES BY FUND CLASS

Governmental Funds:	
General	\$ 193,160
Special Revenue	24,305
Debt Service	155
Capital Projects	<u>314,242</u>
Total Governmental Funds	<u>531,862</u>
Proprietary Funds:	
Enterprise	<u>588,777</u>
Total Proprietary Funds	<u>588,777</u>
Fiduciary Funds:	
Agency Funds	<u>-</u>
Total Fiduciary Funds	<u>-</u>
Total	\$ <u>1,120,639</u>

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

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
<i>Cash Receipts:</i>					
Local Taxes	\$ 67,694	\$ 38,669	-	-	\$ 106,363
Intergovernmental	143,293	56,473	-	-	199,766
Special Assessments	-	-	\$ 3,065	-	3,065
Charges for Services	10,291	-	-	-	10,291
Fines, Licenses, and Permits	11,129	-	-	-	11,129
Interest	26,593	648	-	-	27,241
Miscellaneous	2,736	-	-	-	2,736
<b>Total Cash Receipts</b>	<b>261,736</b>	<b>95,790</b>	<b>3,065</b>	<b>-</b>	<b>360,591</b>
<i>Cash Disbursements:</i>					
Security of Persons & Property	227,540	-	-	-	227,540
Public Health Services	5,408	-	-	-	5,408
Leisure Time Activities	11,992	-	-	-	11,992
Community Environment	12,877	-	-	-	12,877
Basic Utility Services	6,900	-	-	-	6,900
Transportation	14,456	87,407	-	-	101,863
General Government	153,787	-	-	-	153,787
Capital Outlay	14,900	-	-	\$ 278,694	293,594
<i>Debt Service:</i>					
Principal Retirement	-	-	37,000	-	37,000
Interest and Fiscal Charges	-	-	45,600	-	45,600
<b>Total Cash Disbursements</b>	<b>447,860</b>	<b>87,407</b>	<b>82,600</b>	<b>278,694</b>	<b>896,561</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(186,124)</b>	<b>8,383</b>	<b>(79,535)</b>	<b>(278,694)</b>	<b>(535,970)</b>
<i>Other Financing Sources/(Uses):</i>					
Transfers In	178,801	-	79,475	178,801	437,077
Transfers Out	(16,000)	-	-	(79,475)	(95,475)
<b>Total Other Financing Sources/(Uses)</b>	<b>162,801</b>	<b>-</b>	<b>79,475</b>	<b>99,326</b>	<b>341,602</b>
<b>Excess of Cash Receipts and Other Sources Over/(Under) Cash Disbursements and Other Uses</b>	<b>(23,323)</b>	<b>8,383</b>	<b>(60)</b>	<b>(179,368)</b>	<b>(194,368)</b>
<b>Fund Cash Balance, January 1, 1999</b>	<b>155,545</b>	<b>12,423</b>	<b>237</b>	<b>458,800</b>	<b>627,005</b>
<b>Fund Cash Balance, December 31, 1999</b>	<b>\$ 132,222</b>	<b>\$ 20,806</b>	<b>\$ 177</b>	<b>\$ 279,432</b>	<b>\$ 432,637</b>

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

**VILLAGE OF SPENCERVILLE**

**ALLEN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY FUNDS AND SIMILAR FIDUCIARY FUNDS TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Local Taxes	-	\$ 461,294	\$ 461,294
Interest	\$ 39,054	-	39,054
Charges for Services	763,152	-	763,152
Fines, Licenses and Permits	-	13,349	13,349
Other Miscellaneous	43	-	43
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	802,249	474,643	1,276,892
<i>Operating Cash Disbursements:</i>			
Personal Services	156,941	7,175	164,116
Employee Fringe Benefits	42,802	1,060	43,862
Contractual Services	306,506	89,401	395,907
Supplies and Materials	119,173	1,000	120,173
Capital Outlay	919,635	-	919,635
Miscellaneous	89,656	18,405	108,061
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,634,713	117,041	1,751,754
Operating Income (Loss)	(832,464)	357,602	(474,862)
<i>Non-Operating Cash Receipts and Cash Disbursements:</i>			
Intergovernmental	7,500	-	7,500
Debt Service - Principal	(75,341)	-	(75,341)
Debt Service - Interest	(107,403)	-	(107,403)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipt and Cash Disbursements	(175,244)	-	(175,244)
Income (Loss) Before Operating Transfers	(1,007,708)	357,602	(650,106)
<i>Operating Transfers:</i>			
Transfers In	203,668	-	203,668
Transfers Out	(187,668)	(357,602)	(545,270)
	<hr/>	<hr/>	<hr/>
Net Income (Loss)	(991,708)	-	(991,708)
Fund Cash Balance, January 1, 1999	1,586,487	-	1,586,487
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31, 1999	\$ 594,779	\$ -	\$ 594,779

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

**VILLAGE OF SPENCERVILLE**

**ALLEN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
<i>Cash Receipts:</i>					
Local Taxes	\$ 67,856	\$ 31,509	-	-	\$ 99,365
Intergovernmental	227,017	63,869	-	\$ 80,364	371,250
Special Assessments	-	-	\$ 2,833	-	2,833
Charges for Services	12,241	-	-	-	12,241
Fines, Licenses, and Permits	12,440	-	-	-	12,440
Interest	33,399	1,092	-	-	34,491
Miscellaneous	3,205	-	-	-	3,205
<b>Total Cash Receipts</b>	<b>356,158</b>	<b>96,470</b>	<b>2,833</b>	<b>80,364</b>	<b>535,825</b>
<i>Cash Disbursements:</i>					
Security of Persons & Property	324,753	-	-	-	324,753
Public Health Services	5,321	-	-	-	5,321
Leisure Time Activities	13,634	-	-	-	13,634
Community Environment	8,716	-	-	-	8,716
Basic Utility Services	14,500	-	-	-	14,500
Transportation	10,995	92,971	-	-	103,966
General Government	162,349	-	-	-	162,349
Capital Outlay	7,646	-	-	147,301	154,947
<i>Debt Service:</i>					
Principal Retirement	-	-	3,000	35,000	38,000
Interest and Fiscal Charges	-	-	855	43,049	43,904
<b>Total Cash Disbursements</b>	<b>547,914</b>	<b>92,971</b>	<b>3,855</b>	<b>225,350</b>	<b>870,090</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(191,756)</b>	<b>3,499</b>	<b>(1,022)</b>	<b>(144,986)</b>	<b>(334,265)</b>
<i>Other Financing Sources/(Uses):</i>					
Transfers In	269,694	-	1,000	179,796	450,490
Transfers Out	(17,000)	-	-	-	(17,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>252,694</b>	<b>-</b>	<b>1,000</b>	<b>179,796</b>	<b>433,490</b>
<b>Excess of Cash Receipts and Other Sources Over/(Under) Cash Disbursements and Other Uses</b>	<b>60,938</b>	<b>3,499</b>	<b>(22)</b>	<b>34,810</b>	<b>99,225</b>
<b>Fund Cash Balance, January 1, 2000</b>	<b>132,222</b>	<b>20,806</b>	<b>177</b>	<b>279,432</b>	<b>432,637</b>
<b>Fund Cash Balance, December 31, 2000</b>	<b>\$ 193,160</b>	<b>\$ 24,305</b>	<b>\$ 155</b>	<b>314,242</b>	<b>\$ 531,862</b>

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

**VILLAGE OF SPENCERVILLE**

**ALLEN COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES -  
ALL PROPRIETARY FUNDS AND SIMILAR FIDUCIARY FUNDS TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
<i>Operating Cash Receipts:</i>			
Local Taxes	-	\$ 476,861	\$ 476,861
Interest	\$ 21,427	-	21,427
Fines, Licenses and Permits	-	15,191	15,191
Charges for Services	782,396	-	782,396
Total Operating Cash Receipts	803,823	492,052	1,295,875
<i>Operating Cash Disbursements:</i>			
Personal Services	153,010	7,534	160,544
Employee Fringe Benefits	44,509	1,046	45,555
Contractual Services	353,634	-	353,634
Supplies and Materials	117,054	754	117,808
Capital Outlay	60,099	-	60,099
Miscellaneous	52,753	33,229	85,982
Total Cash Disbursements	781,059	42,563	823,622
Operating Income (Loss)	22,764	449,489	472,253
<i>Non-Operating Cash Receipts and Cash Disbursements:</i>			
Proceeds of OPWC Loan	123,702	-	123,702
Debt Service - Principal	(78,685)	-	(78,685)
Debt Service - Interest	(89,783)	-	(89,783)
Total Non-Operating Cash Receipts and Cash Disbursements	(44,766)	-	(44,766)
Income (Loss) Before Operating Transfer	(22,002)	449,489	427,487
<i>Operating Transfers:</i>			
Transfers In	303,871	-	303,871
Transfers Out	(287,871)	(449,489)	(737,360)
Net Income (Loss)	(6,002)	-	(6,002)
Fund Cash Balance, January 1, 2000	594,779	-	594,779
Fund Cash Balance, December 31, 2000	\$ 588,777	\$ -	\$ 588,777

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



**VILLAGE OF SPENCERVILLE**  
**ALLEN COUNTY**  
 COMBINED STATEMENT OF RECEIPTS -  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 1999

Fund Types/Funds	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General	\$ 473,275	\$ 440,537	\$ (32,738)
Special Revenue	92,472	95,790	3,318
Debt Service	88,600	82,540	(6,060)
Capital Projects	155,000	178,801	23,801
Proprietary:			
Enterprise	1,135,208	1,013,417	(121,791)
Fiduciary:			
Agency	470,000	474,643	4,643
Total (Memorandum Only)	\$ <u>2,414,555</u>	\$ <u>2,285,728</u>	\$ <u>(128,827)</u>

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

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 1999

Fund Types/Funds	Appropriation Authority	Actual Expenditures	Variance Favorable/ (Unfavorable)
Governmental:			
General	\$ 501,552	\$ 463,860	\$ 37,692
Special Revenue	114,824	87,407	27,417
Debt Service	83,435	82,600	835
Capital Projects	613,800	358,169	255,631
Proprietary:			
Enterprise	2,372,571	2,005,125	367,446
Fiduciary:			
Agency	460,715	474,643	(13,928)
Total (Memorandum Only)	\$ <u>4,146,897</u>	\$ <u>3,471,804</u>	\$ <u>675,093</u>

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

**VILLAGE OF SPENCERVILLE**  
**ALLEN COUNTY**  
 COMBINED STATEMENT OF RECEIPTS -  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2000

Fund Types/Funds	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General	\$ 631,739	\$ 625,803	\$ (5,936)
Special Revenue	98,025	96,470	(1,555)
Debt Service	4,200	3,833	(367)
Capital Projects	425,000	260,160	(164,840)
Proprietary:			
Enterprise	1,288,009	1,231,396	(56,613)
Fiduciary:			
Agency	478,000	492,052	14,052
Total (Memorandum Only)	\$ <u>2,924,973</u>	\$ <u>2,709,714</u>	\$ <u>(215,259)</u>

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

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2000

Fund Types/Funds	Appropriation Authority	Actual Expenditures	Variance Favorable/ (Unfavorable)
Governmental:			
General	\$ 897,641	\$ 564,914	\$ 332,727
Special Revenue	115,206	92,971	22,235
Debt Service	6,377	3,855	2,522
Capital Projects	459,432	225,350	234,082
Proprietary:			
Enterprise	1,536,137	1,237,398	298,739
Fiduciary:			
Agency	465,889	492,052	(26,163)
Total (Memorandum Only)	\$ <u>3,480,682</u>	\$ <u>2,616,540</u>	\$ <u>864,142</u>

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

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Spencerville is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected Officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including a mayor's court, police protection, recreation (including parks), street maintenance and repair, water and sewer utilities, and general administrative services. The Village contracts for fire and emergency medical services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have the ability to exercise direct operating control.

**B. REPORTING ENTITY**

In evaluating how to define the Village for financial reporting purposes, management has considered all agencies, departments and organizations making up the Village of Spencerville (the primary government) and its potential component units consistent with Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Village, as the primary government, is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Village has determined that there are no component units required to be included in the financial statements.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

C. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed by the Auditor of State.

D. **INVESTMENTS AND INACTIVE FUNDS**

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchase investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received. See Note 5 for further description.

E. **FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund**

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

**Special Revenue Funds**

To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**E. FUND ACCOUNTING - (continued)**

**Governmental Fund Types: - (continued)**

**Debt Service Funds:**

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

**Capital Project Funds:**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

**Proprietary Fund Types:**

**Enterprise Funds:**

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

**Fiduciary Fund Types:**

**Agency Funds**

To account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund.

**F. BUDGETARY PROCESS**

**1. Budget**

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **BUDGETARY PROCESS** – (continued)

2. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the village. The certificate is approved by the county budget commission and sent to the village clerk/treasurer by September 1.

Prior to December 31, the Village must revise the budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the clerk/treasurer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the clerk/treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 1999 and 2000.

Budget receipts, as shown in the accompanying financial statements do not include the unencumbered fund balances as of January 1, 2000. However, those fund balances are available for appropriation.

3. **Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the function level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.



**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**F. BUDGETARY PROCESS – (continued)**

**4. Encumbrances**

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

**G. 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.

**H. UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment (upon retirement with 10 years or more of service). Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**I. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statement are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1994.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000

2. **PROPERTY TAX** – (continued)

The full tax rate applied to real property for the fiscal years ended December 31, 1999 and 2000 was \$4.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$4.00 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2000 was \$4.00 per \$1,000 of assessed valuation.

The following represents the assessed property values for the revenues received during the years 1999 and 2000.

	<u>1998</u>	<u>1999</u>
<b>Real Property</b>		
Residential/Agricultural	\$ 13,594,190	\$ 13,714,780
Commercial/Industrial	3,795,020	3,830,370
Utilities	2,470	2,320
<b>Tangible Personal Property</b>		
Personal Property	3,003,303	2,883,610
Public Utilities	<u>1,068,720</u>	<u>1,058,960</u>
<b>Total Valuation</b>	<b>\$ <u>21,463,703</u></b>	<b>\$ <u>21,490,040</u></b>

The Allen County Treasurer collects property tax on behalf of all taxing districts within the county. The Allen County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000

**3. LOCAL INCOME TAX**

This locally levied tax of 1.25 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to net income of business organizations conducted within the Village. Tax receipts are credited the Income Tax Agency Fund and then after expenses (salaries, supplies and materials, and refunds) the balance is to be transferred, by Ordinance, 60% to the General Fund and 40% to the Capital Project Fund. In the year 2000, \$269,694 was credited to the General Fund and \$179,796 was credited to the Capital Projects Fund.

**4. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 1999 and 2000 the Village contracted with one insurance company for coverage of buildings, contents and public officials liability; and one company for law enforcement liability.

The following is a list of insurance coverage of the Village and the deductibles associated with each:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Personal Service Insurance Co.	General Liability	\$6,000,000	\$250
	Employee Benefits Liability		
	Medical Claims		
	Exceeding \$100,000	1,000,000	
	Employers Liability and		
	Stop Gap	1,000,000	
	Fire Damage Liability	25,000	
	Commercial Auto	6,000,000	
	Uninsured Motorist	6,000,000	
	Comprehensive	Actual Cost	250
	Collision	Actual Cost	250
Inland Marine	Various	250	
Public Officials Liability	500,000	500	
National Casualty Company	Law Enforcement Liability	500,000	2,500

Settled Claims have not exceeded this commercial coverage in any of the last five years. There have been no significant reductions in insurance coverage from last year.

Separate bonds with higher covered limits cover specific employees of the Village, who collect money, and Reliable Plumbing, who collects utilities bills.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000**

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

The Village maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, December 31, 1999 and 2000".

**Legal Requirements**

State statutes classify monies held by the Village into three categories.

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

"Inactive deposits" are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

"Interim deposits" are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreements, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000

**5. EQUITY IN POOLED CASH AND INVESTMENTS - (continued)**

**Legal Requirements - (continued)**

5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk/Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits**

At year- end, the carrying amount of the Village's deposits was \$689,922 in 1999 and \$767,459 in 2000 and the bank balance was \$709,793 in 1999 and \$805,549 in 2000. Of the bank balances:

1. \$300,000 was covered by federal depository insurance in 1999 and \$275,000 was covered in 2000; and
2. \$409,793 in 1999 and \$530,549 of the balance was uninsured, but collateralized by securities pooled by the depository not in the Village's name. As with all deposits, there is a risk of loss of resources, but management believes this collateral gives the Village its safest deposit of money.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**  
Notes to the Financial Statements  
For the Years Ended December 31, 1999 and 2000

5. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

**Investments**

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Village's name.

The following list represents all investments of the Village, categorized by risk category using the definitions above as of December 31, 1999 and 2000:

<u>1999 Risk Category</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Treasury Market Funds	<u>-</u>	<u>-</u>	<u>\$337,494</u>	<u>\$337,494</u>	<u>\$337,494</u>
 <u>2000 Risk Category</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Treasury Market Funds	<u>-</u>	<u>-</u>	<u>\$353,180</u>	<u>\$353,180</u>	<u>\$353,180</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and classifications of deposits and investments presented above per GASB Statement No. 3 for 1999 and 2000 is shown below.

**VILLAGE OF SPENCERVILLE**  
**Allen County**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**5. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)**

<u>1999</u>	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 727,416	\$ 300,000
Investments:		
U.S Treasury Market Funds	(337,494)	337,494
Certificates of Deposit over 90 days	<u>300,000</u>	<u>(300,000)</u>
 GASB Statement 3	 \$ <u>689,922</u>	 \$ <u>337,494</u>
 <u>2000</u>	 <u>Cash and Cash Equivalents/Deposits</u>	 <u>Investments</u>
GASB Statement 9	\$ 720,639	\$ 400,000
Investments:		
U.S Treasury Market Funds	(353,180)	353,180
Certificates of Deposit over 90 days	<u>400,000</u>	<u>(400,000)</u>
 GASB Statement 3	 \$ <u>767,459</u>	 \$ <u>353,180</u>

**6. DEBT OBLIGATIONS**

The changes in the Village's debt during fiscal year 1999 were as follows:

	Balance Outstanding <u>12/31/98</u>	<u>Additions</u>	<u>Deductions</u>	Balance Outstanding <u>12/31/99</u>
1998 General Obligation Sewer Improvement Bonds – 4% - 5.5%	\$ 900,000	\$ - 0 -	\$ (35,000)	\$ 865,000
1998 First Mortgage Sewer System Revenue Bonds – 4% - 5.5%	1,949,091	- 0 -	(75,341)	1,873,750
1982 Broadway Street Curbs and Sidewalk Special Assessment Bonds – 13.25%	<u>8,000</u>	<u>- 0 -</u>	<u>( 2,000)</u>	<u>6,000</u>
Total 1999	<u>\$2,857,091</u>	<u>\$ - 0 -</u>	<u>\$(112,341)</u>	<u>\$ 2,744,750</u>

**VILLAGE OF SPENCERVILLE**  
**Allen County**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**6. DEBT OBLIGATIONS - (continued)**

The changes in the Village's debt during fiscal year 2000 were as follows:

	<u>Balance Outstanding 12/31/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Outstanding 12/31/00</u>
OPWC Rehab Sanitary Sewer Loan - 0%	\$ - 0 -	\$ 123,702	\$ ( 6,185)	\$ 117,517
1998 General Obligation Sewer Improvement Bonds - 4% - 5.5%	865,000	- 0 -	(35,000)	830,000
1998 First Mortgage Sewer System Revenue Bonds - 4% - 5.5%	1,873,750	- 0 -	(72,500)	1,801,250
1982 Broadway Street Curbs and Sidewalk Special Assessment Bonds - 13.25%	<u>6,000</u>	<u>- 0 -</u>	<u>( 3,000)</u>	<u>3,000</u>
Total 2000	<u>\$ 2,744,750</u>	<u>\$ 123,702</u>	<u>\$(116,685)</u>	<u>\$ 2,751,767</u>

The Ohio Public Works Commission Loan was used for rehabilitations of the Village's sanitary sewer system. The non-interest bearing loan is to be paid back over twenty years in forty semi-annual payments of \$3,092.56 due January 1, and July 1 of each year starting July 1, 2000 and ending January 1, 2020. Since the payments are due January 1 of each year, the Village makes these payments in December of the previous year. The loan will be paid from user charges in the Sewer Fund.

The First Mortgage Sewer System Revenue Bonds were used to improve the Village's sewer system. The bonds were dated April 1, 1998 and will mature commencing April 1, 1999 and each year thereafter through April 1, 2016. Interest will be payable October 1 and April 1 of each year, commencing October 1, 1998 at varying rates and amounts through April 1, 2016. Bonds maturing on or after April 1, 2009 are callable on or after April 1, 2008, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, at the option of the Village, at the following percentages of the principal amount redeemed, plus accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
April 1, 2008 through March 31, 2009	102%
April 1, 2009 through March 31, 2010	101%
April 1, 2010 and thereafter	100%

Sewer receipts collateralize the Bonds, and the Village has agreed to set utility rates sufficient to cover sewer system debt service requirements.



**VILLAGE OF SPENCERVILLE**  
**Allen County**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**6. DEBT OBLIGATIONS - (continued)**

The General Obligation Bonds are supported by the full faith and credit of the Village and will be paid from income tax revenue in the Capital Project Fund. The bonds were to cover the cost of improving the Village's sewer system. The bonds were dated April 1, 1998 and will mature commencing April 1, 1999 and each year thereafter through April 1, 2016. Interest will be payable October 1 and April 1 of each year, commencing October 1, 1998 at varying rates and amounts through April 1, 2016. Bonds maturing on or after April 1, 2009 are callable on or after April 1, 2008, in whole or in part on any date, in inverse order of maturity and by lot within a maturity, at the option of the Village, at the following percentages of the principal amount redeemed, plus accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
April 1, 2008 through March 31, 2009	102%
April 1, 2009 through March 31, 2010	101%
April 1, 2010 and thereafter	100%

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

<u>Year Ended</u>	<u>O.P.W.C. Loans</u>	<u>Mortgage Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Yearly Totals</u>
2001	\$ 6,185	\$ 110,209	\$ 76,570	\$ 3,398	\$ 196,362
2002	6,185	173,000	75,048	-	254,233
2003	6,185	174,245	78,377	-	258,807
2004	6,185	175,175	76,558	-	257,918
2005	6,185	175,780	79,580	-	261,545
2006- 2010	30,926	869,530	383,670	-	1,284,126
2011- 2015	30,926	861,760	380,636	-	1,273,322
2016- 2019	<u>24,740</u>	<u>174,760</u>	<u>77,062</u>	<u>-</u>	<u>276,562</u>
<b>Total</b>	<b>\$ <u>117,517</u></b>	<b>\$ <u>2,714,459</u></b>	<b>\$ <u>1,227,501</u></b>	<b>\$ <u>3,398</u></b>	<b>\$ <u>4,062,875</u></b>

**VILLAGE OF SPENCERVILLE**  
**Allen County**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**7. DEFINED BENEFIT PENSION PLANS**

Either the Public Employees Retirement System of Ohio or the Ohio Police and Fire Pension Fund cover the employees of the Village of Spencerville. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

**A. Public Employee Retirement System (PERS)**

All Village employees, other than Police and Fire employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Village is required to contribute 13.55 percent in 1999 and 10.84 percent in 2000. The contribution rates are determined actuarially. The Village's required contributions to PERS for the years ended December 31, 2000, 1999 and 1998 were \$29,236, \$34,388 and \$33,983. The full amount has been contributed for 1999 and 1998. 83 percent has been contributed for 2000.

**B. Ohio Police and Fire Pension Fund (OPFPF)**

The Village of Spencerville contributes to the Ohio Police and Fire Pension Fund (OPFPF), a cost sharing, multiple-employer retirement system administered by the OPFPF's Board of Trustees. The OPFPF provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OPFPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Fire Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Police are required to contribute 10% of their annual covered salary to fund pension obligations, while the Village is required to contribute 19.5% for police officers. The Village does not have any full-time firefighters. The Village's contributions to the OPFPF for the years ending December 31, 2000, 1999, and 1998 were \$22,029, \$19,649, and \$18,435, respectively. The full amount has been contributed for 1999 and 1998. 73% has been contributed for 2000.

**VILLAGE OF SPENCERVILLE**  
**Allen County**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. Public Employees Retirement System of Ohio (PERS)**

Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirees. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for for the year 2000. The 2000 employer contribution rate for local employers was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. OPEB are financed through employer contributions and investment earnings thereon. The contribution allocated to retiree health care and Medicare, along with investment income or allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

During 2000, the Retirement Board initiated significant policy changes. The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rollback was 20% for both state and local government divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for these reasons.

The District's actual contribution for 2000 that were used to fund post-retirement benefits were \$11,598.

**VILLAGE OF SPENCERVILLE**  
**Allen County**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**B. Ohio Police and Fire Pension Fund (OPFPF)**

The Ohio Police and Fire Pension Fund provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OPFPF shall be included in the employers's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total fire fighter employer contribution rate is 24 percent of covered payroll. The Village has no fire employees.

The Ohio Revised Code provides the statutory authority allowing the OPFPF's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0 percent and 7.25 percent of covered payroll in 1999 and 2000, respectively. The allocation is 7.50 percent in 2001. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1999 (the latest information available) are 12,467 for Police and 9,807 for Firefighters.

The Village's actual contributions for 2000 which were used to fund post-employment benefits were \$8,195.

The Fund's total health care expense for the year ending December 31, 1999 (the latest information available) was \$95,004,633, which was net of member contributions of \$5,518,098.

**9. DEBT SERVICE TRUSTEED FUNDS**

The First Mortgage Sewer System Revenue Bond trust agreement requires monthly payments (proportionate to one-twelfth of the annual principal payment and one-sixth of the semi-annual interest payment) to be held in trust in a "Sewer System Bond Account" to be invested in direct obligations of the United States of America, maturing or redeemable by the holder not later than the times and to the extent such moneys are required for the purpose of Bond principal and interest payments. Monies accumulated in this trust account (expensed from the books of the Village as monthly payments) at December 31, 2000 amounted to \$66,496. These monies are not reflected in the Village's financial statements.

**VILLAGE OF SPENCERVILLE**  
*Allen County*  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 1999 and 2000**

**10. CONTINGENCIES**

The Village of Spencerville is a party to legal proceedings seeking damages or injunctive relief incidental to its operations and pending projects. The Village management is of the opinion that ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of Village Council  
Village of Spencerville  
Spencerville, Ohio

We have audited the financial statements of the Village of Spencerville as and for the years ended December 31, 1999 and 2000, and have issued our report thereon dated August 29, 2001. We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village'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 are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 29, 2001.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village'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 we have reported to management of the Village in a separate letter dated August 29, 2001.

**This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris & Associates, Inc.***  
**August 29, 2001**

**STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the period ending December 31, 1998 and 1997, include material citations and recommendations that were corrected.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF SPENCERVILLE**

**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  
OCTOBER 2, 2001**