

VILLAGE OF SPENCERVILLE

DAYTON REGION, ALLEN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Spencerville
116 S. Broadway
Spencerville, Ohio 43343

We have reviewed the *Independent Auditors' Report* of the Village of Spencerville, Allen County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Spencerville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 23, 2009

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**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT AUDITORS' REPORT

Mayor and Members of Council
Village of Spencerville
116 S. Broadway
Spencerville, Ohio 43343

We have audited the accompanying financial statements of the Village of Spencerville, Allen County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. 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 generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 27, 2009

**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, 2008

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 78,005	\$ 54,760	\$ 0	\$ 132,765
Municipal Income Tax	0	477,061	0	477,061
Intergovernmental Revenues	113,578	123,857	55,000	292,435
Charges for Services	1,510	0	10,208	11,718
Fines, Licenses and Permits	34,576	0	0	34,576
Earnings on Investments	4,879	625	0	5,504
Miscellaneous	3,443	0	0	3,443
Total Cash Receipts	<u>235,991</u>	<u>656,303</u>	<u>65,208</u>	<u>957,502</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	364,544	0	0	364,544
Public Health Service	6,372	0	0	6,372
Leisure Time Activities	7,636	0	0	7,636
Community Environment	1,000	0	0	1,000
Transportation	0	165,720	0	165,720
General Government	93,600	18,784	0	112,384
Capital Outlay	0	0	326,165	326,165
Debt Service:				
Principal	0	0	54,532	54,532
Interest and Fiscal Charges	0	0	27,908	27,908
Total Cash Disbursements	<u>473,152</u>	<u>184,504</u>	<u>408,605</u>	<u>1,066,261</u>
Total Receipts Over/(Under) Disbursements	<u>(237,161)</u>	<u>471,799</u>	<u>(343,397)</u>	<u>(108,759)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	7,660	0	0	7,660
Transfers-In	268,692	0	179,127	447,819
Transfers-Out	(8,000)	(447,819)	0	(455,819)
Total Other Financing Receipts (Disbursements)	<u>268,352</u>	<u>(447,819)</u>	<u>179,127</u>	<u>(340)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	31,191	23,980	(164,270)	(109,099)
Fund Cash Balances, January 1	<u>185,282</u>	<u>239,750</u>	<u>403,201</u>	<u>828,233</u>
Fund Cash Balances, December 31	<u>\$ 216,473</u>	<u>\$ 263,730</u>	<u>\$ 238,931</u>	<u>\$ 719,134</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Proprietary Funds Types</u>	<u>Fiduciary Funds Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 915,280	\$ 0	\$ 915,280
Fines, Licenses and Permits	0	14,895	14,895
Total Operating Cash Receipts	<u>915,280</u>	<u>14,895</u>	<u>930,175</u>
Operating Cash Disbursements:			
Personal Service	234,668	0	234,668
Employee Fringe Benefits	70,747	0	70,747
Contractual Services	264,140	0	264,140
Supplies and Materials	120,828	0	120,828
Other	22,318	14,895	37,213
Total Operating Cash Disbursements	<u>712,701</u>	<u>14,895</u>	<u>727,596</u>
Operating Income/ (Loss)	<u>202,579</u>	<u>0</u>	<u>202,579</u>
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investments	3,041	0	3,041
Debt Service:			
Redemption of Principal	(167,917)	0	(167,917)
Interest Expense	(94,269)	0	(94,269)
Miscellaneous Receipts	535	0	535
Capital Outlay	(685)	0	(685)
Total Non-Operating Cash Receipts/(Expenses)	<u>(259,295)</u>	<u>0</u>	<u>(259,295)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(56,716)	0	(56,716)
Transfers-In	183,136	0	183,136
Transfers-Out	<u>(175,136)</u>	<u>0</u>	<u>(175,136)</u>
Net Revenues Over/(Under) Expenses	(48,716)	0	(48,716)
Fund Cash Balances, January 1	<u>594,815</u>	<u>0</u>	<u>594,815</u>
Fund Cash Balances, December 31	<u>\$ 546,099</u>	<u>\$ 0</u>	<u>\$ 546,099</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, 2007

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 84,491	\$ 60,776	\$ 0	\$ 145,267
Municipal Income Tax	0	499,612	0	499,612
Intergovernmental Revenues	115,939	125,403	28,897	270,239
Charges for Services	1,180	0	5,326	6,506
Fines, Licenses and Permits	24,376	0	0	24,376
Earnings on Investments	28,280	2,335	0	30,615
Miscellaneous	5,051	0	0	5,051
Total Cash Receipts	<u>259,317</u>	<u>688,126</u>	<u>34,223</u>	<u>981,666</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	389,294	0	0	389,294
Public Health Service	5,946	0	0	5,946
Leisure Time Activities	2,234	0	0	2,234
Community Environment	1,000	0	0	1,000
Transportation	0	160,504	0	160,504
General Government	92,805	20,412	0	113,217
Capital Outlay	0	0	287,445	287,445
Debt Service:				
Principal	0	0	257,291	257,291
Interest and Fiscal Charges	0	0	45,695	45,695
Total Cash Disbursements	<u>491,279</u>	<u>180,916</u>	<u>590,431</u>	<u>1,262,626</u>
Total Receipts Over/(Under) Disbursements	<u>(231,962)</u>	<u>507,210</u>	<u>(556,208)</u>	<u>(280,960)</u>
Other Financing Receipts/(Disbursements):				
Sale of Notes	0	0	211,451	211,451
Sale of Fixed Assets	1,296	0	0	1,296
Transfers-In	296,178	0	197,452	493,630
Transfers-Out	(14,000)	(493,630)	0	(507,630)
Total Other Financing Receipts (Disbursements)	<u>283,474</u>	<u>(493,630)</u>	<u>408,903</u>	<u>198,747</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,512	13,580	(147,305)	(82,213)
Fund Cash Balances, January 1	<u>133,770</u>	<u>226,170</u>	<u>550,506</u>	<u>910,446</u>
Fund Cash Balances, December 31	<u>\$ 185,282</u>	<u>\$ 239,750</u>	<u>\$ 403,201</u>	<u>\$ 828,233</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 PROPRIETARY AND SIMILAR FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Types</u>	<u>Fiduciary Funds Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 963,068	\$ 0	\$ 963,068
Fines, Licenses and Permits	0	13,964	13,964
Total Operating Cash Receipts	<u>963,068</u>	<u>13,964</u>	<u>977,032</u>
Operating Cash Disbursements:			
Personal Service	263,092		263,092
Employee Fringe Benefits	76,629	0	76,629
Contractual Services	264,730	0	264,730
Supplies and Materials	124,013	0	124,013
Other	23,249	13,964	37,213
Total Operating Cash Disbursements	<u>751,713</u>	<u>13,964</u>	<u>765,677</u>
Operating Income/ (Loss)	<u>211,355</u>	<u>0</u>	<u>211,355</u>
Non Operating Receipts/(Disbursements):			
Earnings on Investments	10,200	0	10,200
Debt Service:			
Redemption of Principal	(282,524)	0	(282,524)
Interest Expense	(112,820)	0	(112,820)
Miscellaneous Receipts	1,012	0	1,012
Capital Outlay	(10,108)	0	(10,108)
Total Non Operating Receipts/(Disbursements):	<u>(394,240)</u>	<u>0</u>	<u>(394,240)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(182,885)	0	(182,885)
Transfers-In	177,909	0	177,909
Transfers-Out	(163,909)	0	(163,909)
Net Revenues Over/(Under) Expenses	(168,885)	0	(168,885)
Fund Cash Balances, January 1	<u>763,700</u>	<u>0</u>	<u>763,700</u>
Fund Cash Balances, December 31	<u>\$ 594,815</u>	<u>\$ 0</u>	<u>\$ 594,815</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, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Spencerville, Allen County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government and employs a Village Administrator. 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, street maintenance and repair, water and sewer utilities, and general administrative services. The Village contracts for fire and emergency medical services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund – This fund receives state money for constructing, maintaining, and repairing Village streets in conjunction with the state highways in the Village.

Permissive Motor Vehicle Fund – The fund receives motor vehicle license tax, which the Village can only use for planning, constructing, improving, maintaining and repairing Village roads.

3. Capital Projects

These funds are 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). The Village had the following significant capital project fund:

Water Tower Project – This fund receives grant and loan proceeds for the purpose of evaluating and construct a water tower.

4. Proprietary Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund – This fund receives cash receipts from water sales to Village residents. Water system operating cash disbursements are made from this fund.

Sewer Operating Fund – This fund receives cash receipts from sewer operations within the Village. Sewer system operating cash disbursements are made from this fund.

Refuse Fund – This fund receives charges for services from residents to cover cost of garbage collection in the Village.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

5. Fiduciary Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. The Village classifies these as Expendable Trust Funds. The Village had the following significant expendable trust funds.

Mayor's Court Fund – This agency fund records the financial activity of the Village's Mayor's Court.

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 and object level of control and appropriations may not exceed estimated resources. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. 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.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	<u>\$1,265,233</u>	<u>\$1,423,048</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 as follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 495,085	\$ 512,343	\$ 17,258
Special Revenue	642,674	656,303	13,629
Capital Projects	244,335	244,335	0
Enterprise Funds	1,087,685	1,101,992	14,307
Total	<u>\$ 2,469,779</u>	<u>\$ 2,514,973</u>	<u>\$ 45,194</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 550,318	\$ 481,152	\$ 69,166
Special Revenue	761,034	632,323	128,711
Capital Projects	513,300	408,605	104,695
Enterprise Funds	1,238,553	1,150,708	87,845
Total	<u>\$ 3,063,205</u>	<u>\$ 2,672,788</u>	<u>\$ 390,417</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 500,970	\$ 556,791	\$ 55,821
Special Revenue	641,475	688,126	46,651
Capital Projects	517,515	443,126	(74,389)
Enterprise Funds	1,149,100	1,152,189	3,089
Total	<u>\$ 2,809,060</u>	<u>\$ 2,840,232</u>	<u>\$ 31,172</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 537,075	\$ 505,279	\$ 31,796
Special Revenue	706,681	674,546	32,135
Capital Projects	669,412	590,431	78,981
Enterprise Funds	1,415,350	1,321,074	94,276
Total	<u>\$ 3,328,518</u>	<u>\$ 3,091,330</u>	<u>\$ 237,188</u>

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest</u>
1998 General Obligation Bonds	\$495,000	4.70%
1998 Sewer Bonds	1,115,000	4.80%
OPWC Sewer Loan	68,037	0.00%
OPWC Water Loan	75,000	0.00%
General Obligation Bonds	455,000	3.38%
Water Tower Loan	365,536	2.00%
OPWC Water Tower Planning	31,491	0.00%
Total	<u>\$2,605,064</u>	

1998 General Obligation Bonds:

Payable in semiannual payments on April 1 and October 1 through, 2016 at a rate of 4% - 5.5%. Secured by water and sewer rates.

1998 Sewer Bonds:

Payable in semiannual payments on April 1 and October 1 through, 2016 at a rate of 4%-5.6%. Secured by sewer rates.

OPWC Sewer Loan:

Payable in semiannual payments on January 1 and July 1 through January 2020 at a rate of 0%. Secured by sewer rates.

OPWC Water Loan:

Payable in semiannual payments on January 1 and July 1 through January 2024 at a rate of 0%. Secured by water and sewer rates.

OPWC Water Loan- Planning:

Payable in semiannual payments on January 1 and July 1 through January 2027 at a rate of 0%. Secured by water and sewer rates.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

5. DEBT, (continued)

General Obligation Bonds:

Payable in annual payments on May 1 through 2021 at a rate of 3.95% - 4.95%.

Water Tower Loan OWDA:

Payable in semiannual payments on January 1 and July 1 through 2027 at a rate of 2%. Approved for \$476,464; amount remaining undisbursed \$71,335.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31,	General Obligation Bonds	1998 Sewer Bonds	OPWC Loans	Water Tower OWDA	General Obligation Bonds
2009	\$ 75,382	\$ 174,220	\$ 7,342	\$ 14,510	\$ 46,275
2010	77,677	172,640	12,935	29,021	45,212
2011	74,790	170,780	12,935	29,021	49,125
2012	76,712	173,500	12,935	29,021	47,790
2013	78,321	170,800	12,935	29,021	46,440
2014 – 2018	227,875	521,440	64,673	145,105	243,863
2019 – 2023	0	0	43,028	145,105	143,033
2024 – 2028	0	0	7,745	28,112	0
Total	<u>\$ 610,757</u>	<u>\$ 1,383,380</u>	<u>\$ 174,528</u>	<u>\$ 448,916</u>	<u>\$ 621,738</u>

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, 2008 and 2007 amounted to \$68,807 and \$66,307, respectively.

6. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of OP&F contributed 10.0 percent of their gross wages to the plan. The Village’s contribution amount for OP&F was equal to 19.5 percent of participants’ wages. OPERS members contributed 10.0 percent and 9.5 percent of their gross wages for 2008 and 2007, respectively. The Village’s contribution amount for OPERS was equal to 14.0 percent and 13.85 percent of participants’ gross salaries for 2008 and 2007, respectively. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

7. INCOME TAX

The Village levies an income tax of 1.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Income tax revenues were \$477,061 and \$499,612 for 2008 and 2007, respectively. Income tax receipts are transferred to General and Capital Projects funds per ordinance.

8. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides, Property, Liability, Wrongful Acts, Law Enforcement, Automobile, Bond, Crime, Inland Marine, Fire Vehicle RC, EDP, Governmental Medical Liability, Employee Benefits Liability, and Automobile Liability, and other coverage's. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plans with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% of \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which may vary from member to member.

Settlement amounts did not exceed insurance for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,60,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

The Village also provides health insurance and dental to full-time employees through a private carrier.

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 Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

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MANNING & ASSOCIATES, CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

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

Members of Council
Village of Spencerville
116 S. Broadway
Spencerville, Ohio 45887

We have audited the financial statements of the Village of Spencerville, Allen County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 27, 2009 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated May 27, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standard*, which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 27, 2009.

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

We intend this report for the information and use of the audit committee, management, and the Members of Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 27, 2009

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

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

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

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

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

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

FINDING NUMBER 2008-001, (Continued)

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

The Village issued regular purchase orders, which were referenced to for multiple expenditures throughout the year. The Village should review the ORC regulations regarding purchase orders and consider issuing Blanket or Super Blanket Purchase Orders for recurring expenses.

Response: The Village will review ORC regulations to ensure that proper purchase orders are issued in the future.

FINDING NUMBER 2008-002

Significant Deficiency / Material Weakness

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify debt proceeds received by the Village in regards to the capital project in which OWDA funds were received. Debt proceeds in the amount of \$211,451 were classified as intergovernmental instead of sale of notes.

We recommend the Village post items according to the Village handbook. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

Response: The Village will review its current accounting methods and implement changes where need.



Mary Taylor, CPA
Auditor of State

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
JULY 7, 2009**