

**VILLAGE OF SPENCERVILLE**

DAYTON REGION, ALLEN COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009





# Dave Yost • 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, 2009 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 16, 2011

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**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### 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, 2010 and 2009. 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 that 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

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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, Ohio, as of December 31, 2010 and 2009, 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 determined 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 April 26, 2011, 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

April 26, 2011

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**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, 2010

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 76,153	\$ 51,852	\$ 0	\$ 128,005
Municipal Income Tax	0	585,019	0	585,019
Intergovernmental Revenues	98,495	117,931	0	216,426
Special Assessments	0	0	17,696	17,696
Charges for Services	320	0	0	320
Fines, Licenses and Permits	19,598	0	0	19,598
Earnings on Investments	3,979	485	0	4,464
Miscellaneous	4,189	0	0	4,189
<b>Total Cash Receipts</b>	<u>202,734</u>	<u>755,287</u>	<u>17,696</u>	<u>975,717</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	386,498	0	0	386,498
Public Health Service	6,177	0	0	6,177
Leisure Time Activities	8,228	0	0	8,228
Community Environment	3,500	0	0	3,500
Transportation	0	133,491	0	133,491
General Government	106,360	21,810	0	128,170
Capital Outlay	102	28,360	159,204	187,666
Debt Service:				
Principal	0	746	55,000	55,746
Interest and Fiscal Charges	0	0	22,678	22,678
<b>Total Cash Disbursements</b>	<u>510,865</u>	<u>184,407</u>	<u>236,882</u>	<u>932,154</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(308,131)</u>	<u>570,880</u>	<u>(219,186)</u>	<u>43,563</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Fixed Assets	0	6,683	0	6,683
Debt Proceeds	0	0	82,005	82,005
Transfers-In	245,264	0	163,510	408,774
Transfers-Out	(16,000)	(408,774)	0	(424,774)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>229,264</u>	<u>(402,091)</u>	<u>245,515</u>	<u>72,688</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(78,867)	168,789	26,329	116,251
Fund Cash Balances, January 1	<u>211,685</u>	<u>215,778</u>	<u>207,475</u>	<u>634,938</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 132,818</u>	<u>\$ 384,567</u>	<u>\$ 233,804</u>	<u>\$ 751,189</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 - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Funds Types</u>	<u>Fiduciary Funds Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 972,527	\$ 0	\$ 972,527
Fines, Licenses and Permits	0	6,720	6,720
<b>Total Operating Cash Receipts</b>	<u>972,527</u>	<u>6,720</u>	<u>979,247</u>
<b>Operating Cash Disbursements:</b>			
Personal Service	241,084	0	241,084
Employee Fringe Benefits	76,963	0	76,963
Contractual Services	253,730	0	253,730
Supplies and Materials	108,373	0	108,373
Other	12,789	6,720	19,509
<b>Total Operating Cash Disbursements</b>	<u>692,939</u>	<u>6,720</u>	<u>699,659</u>
Operating Income/ (Loss)	<u>279,588</u>	<u>0</u>	<u>279,588</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Earnings on Investments	961	0	961
Debt Service:			
Redemption of Principal	(182,001)	0	(182,001)
Interest Expense	(79,847)	0	(79,847)
Miscellaneous Receipts	1,616	0	1,616
Capital Outlay	(20,525)	0	(20,525)
<b>Total Non-Operating Cash Receipts/(Expenses)</b>	<u>(279,796)</u>	<u>0</u>	<u>(279,796)</u>
<b>Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers</b>			
	(208)	0	(208)
Transfers-In	190,422	0	190,422
Transfers-Out	(174,422)	0	(174,422)
Net Revenues Over/(Under) Expenses	15,792	0	15,792
Fund Cash Balances, January 1	<u>573,304</u>	<u>0</u>	<u>573,304</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 589,096</u>	<u>\$ 0</u>	<u>\$ 589,096</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, 2009**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$ 78,333	\$ 51,838	\$ 0	\$ 130,171
Municipal Income Tax	0	472,709	0	472,709
Intergovernmental Revenues	178,529	111,664	46,000	336,193
Special Assessments	0	0	17,521	17,521
Charges for Services	495	0	0	495
Fines, Licenses and Permits	26,652	0	0	26,652
Earnings on Investments	2,445	277	0	2,722
Miscellaneous	9,276	76	0	9,352
<b>Total Cash Receipts</b>	<u>295,730</u>	<u>636,564</u>	<u>63,521</u>	<u>995,815</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	420,150	0	0	420,150
Public Health Service	6,452	0	0	6,452
Leisure Time Activities	8,925	0	0	8,925
Community Environment	3,500	0	0	3,500
Transportation	9,638	141,290	0	150,928
General Government	112,494	34,330	0	146,824
Capital Outlay	0	70,651	267,204	337,855
Debt Service:				
Principal	0	0	50,000	50,000
Interest and Fiscal Charges	0	0	25,383	25,383
<b>Total Cash Disbursements</b>	<u>561,159</u>	<u>246,271</u>	<u>342,587</u>	<u>1,150,017</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(265,429)</u>	<u>390,293</u>	<u>(279,066)</u>	<u>(154,202)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes	0	0	66,917	66,917
Sale of Fixed Assets	1,602	13,487	0	15,089
Transfers-In	271,039	0	180,693	451,732
Transfers-Out	(12,000)	(451,732)	0	(463,732)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>260,641</u>	<u>(438,245)</u>	<u>247,610</u>	<u>70,006</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,788)	(47,952)	(31,456)	(84,196)
Fund Cash Balances, January 1	<u>216,473</u>	<u>263,730</u>	<u>238,931</u>	<u>719,134</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 211,685</u>	<u>\$ 215,778</u>	<u>\$ 207,475</u>	<u>\$ 634,938</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 - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Funds Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 942,779	\$ 0	\$ 942,779
Fines, Licenses and Permits	0	19,193	19,193
Total Operating Cash Receipts	<u>942,779</u>	<u>19,193</u>	<u>961,972</u>
<b>Operating Cash Disbursements:</b>			
Personal Service	234,320		234,320
Employee Fringe Benefits	61,526	0	61,526
Contractual Services	264,228	0	264,228
Supplies and Materials	95,963	0	95,963
Other	16,554	19,193	35,747
Total Operating Cash Disbursements	<u>672,591</u>	<u>19,193</u>	<u>691,784</u>
Operating Income/ (Loss)	<u>270,188</u>	<u>0</u>	<u>270,188</u>
<b>Non Operating Receipts/(Disbursements):</b>			
Earnings on Investments	580	0	580
Sale of Fixed Assets	226	0	226
Debt Service:			
Redemption of Principal	(157,875)	0	(157,875)
Interest Expense	(88,492)	0	(88,492)
Miscellaneous Receipts	578	0	578
Capital Outlay	(10,000)	0	(10,000)
Total Non Operating Receipts/(Disbursements):	<u>(254,983)</u>	<u>0</u>	<u>(254,983)</u>
<b>Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers</b>	15,205	0	15,205
Transfers-In	173,854	0	173,854
Transfers-Out	<u>(161,854)</u>	<u>0</u>	<u>(161,854)</u>
Net Revenues Over/(Under) Expenses	27,205	0	27,205
Fund Cash Balances, January 1	<u>546,099</u>	<u>0</u>	<u>546,099</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 573,304</u>	<u>\$ 0</u>	<u>\$ 573,304</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, 2010 AND 2009**

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**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, 2010 AND 2009**

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**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:

**Streetscape Project** – This fund receives grant proceeds for the beautification and improvement of Main Street including; curbs, sidewalks and aesthetics.

**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, 2010 AND 2009**

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

**D. Fund Accounting** (continued)

**5. Fiduciary Funds (Agency Funds)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for:

**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 2010 and 2009 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, 2010 AND 2009**

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**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>2010</u>	<u>2009</u>
Demand Deposits	\$ 965,285	\$ 833,242
Certificate of Deposit	<u>375,000</u>	<u>375,000</u>
Total	<u>\$1,340,285</u>	<u>\$1,208,242</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, 2010 AND 2009

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**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 as follows:

**2010 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 428,545	\$ 447,998	\$ 19,453
Special Revenue	624,651	761,970	137,319
Capital Projects	255,036	263,211	8,175
Enterprise Funds	1,147,390	1,165,526	18,136
Total	<u>\$ 2,455,622</u>	<u>\$ 2,638,705</u>	<u>\$ 183,083</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 576,442	\$ 526,865	\$ 49,577
Special Revenue	715,638	593,181	122,457
Capital Projects	253,158	236,881	16,277
Enterprise Funds	1,247,803	1,149,734	98,069
Total	<u>\$ 2,793,041</u>	<u>\$ 2,506,661</u>	<u>\$ 286,380</u>

**2009 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 513,542	\$ 568,371	\$ 54,829
Special Revenue	633,000	650,051	17,051
Capital Projects	236,000	311,131	75,131
Enterprise Funds	1,168,285	1,118,017	(50,268)
Total	<u>\$ 2,550,827</u>	<u>\$ 2,647,570</u>	<u>\$ 96,743</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 611,321	\$ 573,159	\$ 38,162
Special Revenue	766,816	698,003	68,813
Capital Projects	420,850	342,587	78,263
Enterprise Funds	1,246,647	1,090,812	155,835
Total	<u>\$ 3,045,634</u>	<u>\$ 2,704,561</u>	<u>\$ 341,073</u>

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**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, 2010 was as follows:

	<u>Principal</u>	<u>Interest</u>
1998 General Obligation Bonds	\$ 390,000	4.70%
1998 Sewer Bonds	880,000	4.80%
OPWC Sewer Loan	58,759	0.00%
OPWC Water Loan	67,500	0.00%
General Obligation Bonds	405,000	3.38%
OWDA Water Tower Loan	336,448	2.00%
OPWC Water Tower Planning	28,866	0.00%
OWDA Water Tower Design	112,687	4.65%
OPWC Downtown Streetscape Loan	29,104	0.00%
Total	<u>\$2,308,364</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 of \$3,093 on January 31 and July 1 through January 2020 at a rate of 0%. Secured by sewer rates.

OPWC Water Loan:

Payable in semiannual payments of \$2,500 on January 31 and July 1 through January 2024 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, 2010 AND 2009**

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**5. DEBT, (Continued)**

General Obligation Bonds:

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

OWDA Water Tower Loan:

Payable in semiannual payments of \$12,338 on January 1 and July 1 through 2027 at a rate of 2%.

OPWC Water Loan- Planning:

Payable in semiannual payments of \$874 on January 31 and July 1 through January 2027 at a rate of 0%. Secured by water and sewer rates.

OWDA Water Tower Design:

The Village was approved for \$133,413 loan for the Water Tower Upgrade design in 2009. In 2009, \$66,917 funds were disbursed and \$52,155 funds disbursed in 2010. Interest was capitalized into the loan for 2009 and 2010. Debt service payments will be made in semiannual installments on January 1 and July 1 through 2015 at a rate of 4.65%. As of December 31, 2010 the Village draws were \$119,072. Debt service payments presented below have been calculated based on outstanding balance as of December 31, 2010.

OPWC Downtown Streetscape Loan:

In 2010, the Village obtained a \$29,850 loan for the Downtown Streetscape beautification project. Debt service payments will be made in semiannual installments of \$746 on January 31 and July 1 with final payment January 2030 at a rate of 0%.

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

Year	General Obligation Bonds		Sewer Bonds		Bond Anticipation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$55,000	\$19,790	\$ 125,000	\$ 45,780	\$25,000	\$18,458
2012	60,000	16,712	135,000	38,500	30,000	17,115
2013	65,000	13,321	140,000	30,800	35,000	15,758
2014	65,000	9,762	150,000	22,680	35,000	14,270
2015	70,000	6,050	160,000	14,000	35,000	12,651
2016 - 2020	75,000	2,063	170,000	4,760	200,000	36,322
2021 - 2125	0	0	0	0	45,000	1,114
Totals	<u>\$390,000</u>	<u>\$67,698</u>	<u>\$88,000</u>	<u>\$156,520</u>	<u>\$405,000</u>	<u>\$115,688</u>

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**5. DEBT, (Continued)**

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

Year	OWDA Water Tower Loan		OWDA Water Tower Design	
	Principal	Interest	Principal	Interest
2011	\$8,954	\$3,383	\$ 23,067	\$ 4,975
2012	18,216	6,459	24,152	3,170
2013	18,583	6,093	25,288	2,754
2014	18,956	5,720	26,478	1,564
2015	19,337	5,338	13,702	319
2016 - 2020	102,670	20,705	0	0
2021 - 2125	113,412	9,963	0	0
2026 - 2130	36,320	728	0	0
Totals	<u>\$336,448</u>	<u>\$58,389</u>	<u>\$112,687</u>	<u>\$12,782</u>

Year	OPWC Loans			
	Sewer Loan	Water Loan	WT Planning	Downtown Streetscape
2011	\$6,185	\$5,000	\$ 1,749	\$ 1,492
2012	6,185	5,000	1,749	1,492
2013	6,185	5,000	1,749	1,492
2014	6,185	5,000	1,749	1,492
2015	6,185	5,000	1,749	1,492
2016 - 2020	27,834	25,000	8,745	7,460
2021 - 2125	0	17,500	8,745	7,460
2026 - 2130	0	0	2,631	6,724
Totals	<u>\$58,759</u>	<u>\$67,500</u>	<u>\$28,866</u>	<u>\$29,104</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, 2010 and 2009 amounted to \$70,348 and \$69,387, respectively.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other full-time employees belong to OPERS. OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contributions rates. For 2010 and 2009, OP&F participants contributed 10.1 percent of their wages and the Village contributed an amount equal to 19.5 percent and 24.0 percent of covered payroll for police officers and firefighters, respectively. For 2010 and 2009, OPERS participants contributed 10 percent of their wages and the Village contributed an amount equal to 14 percent of covered payroll. The Village has paid all contributions required through December 31, 2010.

**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 \$585,019 and \$472,709 for 2010 and 2009, respectively. Income tax receipts are recorded in Income Tax Fund, special revenue and transferred to General and Capital Projects funds per ordinance. Transfers for 2010 were \$245,264 general fund and \$163,510 capital projects; for 2009 \$271,039 general fund and \$180,693 capital projects fund.

**8. RISK MANAGEMENT**

Through December 31, 2008, the Village belongs to the Ohio Plan Risk Management, Inc. (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management programs and other administrative services to Ohio governments (members). The Plan was legally separate from its member governments.

On January 1, 2009 through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management Inc. (OPRM) – formally known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium Inc. (OPHC) – formally known as the Ohio Healthcare Consortium;  
and
- Ohio Plan Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven members that include appointed and elected officials from member organizations.

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**8. RISK MANAGEMENT (Continued)**

Pursuant to Ohio Revised Code Sec. 2744.081, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Risk Plan management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (OPHC), as authorized by section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008, the latest information available:

	<u>OPRM</u>	<u>2009 OPHC</u>	<u>Total</u>	<u>2008</u>
Assets	\$11,176,186	\$11,176,186	\$11,176,186	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(4,852,485)</u>	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members Equity	<u>\$6,323,701</u>	<u>\$6,323,701</u>	<u>\$6,323,701</u>	<u>\$ 5,184,333</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

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

# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

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

We have audited the financial statements of the Village of Spencerville, Allen County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 26, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect, and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected, and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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### **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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 26, 2011.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

April 26, 2011

**VILLAGE OF SPENCERVILLE  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2008-001	Ohio Rev. Code Sec. 5705.41(D) - Purchases were not all certified prior to the incurrence of the expense	Yes	
2008-002	Ohio Rev. Code Sec. 733.28 - Misclassification of debt proceeds resulted in inaccurate record keeping	Yes	



# Dave Yost • 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  
JUNE 28, 2011