

VILLAGE OF SPENCERVILLE

DAYTON REGION, ALLEN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Spencerville, Allen County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 9, 2007

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**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 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, 2006 and 2005 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2007, on our consideration of the Village's internal control structure 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 30, 2007

**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, 2006

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 74,621	\$ 60,898	\$ 0	\$ 135,519
Municipal Income Tax	0	566,224	0	566,224
Intergovernmental Revenues	125,617	101,864	685,148	912,629
Special Assessments	0	0	5,686	5,686
Fines, Licenses and Permits	24,244	0	0	24,244
Earnings on Investments	13,137	880	0	14,017
Miscellaneous	5,985	170	0	6,155
Total Cash Receipts	<u>243,604</u>	<u>730,036</u>	<u>690,834</u>	<u>1,664,474</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	390,795	0	0	390,795
Public Health Services	6,170	0	0	6,170
Leisure Time Activities	19,003	0	0	19,003
Community Environment	6,054	0	0	6,054
Transportation	0	128,341	0	128,341
General Government	97,837	27,220	0	125,057
Debt Service:				
Principal	0	0	109,650	109,650
Interest	0	0	32,443	32,443
Capital Outlay	0	20,000	1,034,005	1,054,005
Total Cash Disbursements	<u>519,859</u>	<u>175,561</u>	<u>1,176,098</u>	<u>1,871,518</u>
Total Receipts Over/(Under) Disbursements	<u>(276,255)</u>	<u>554,475</u>	<u>(485,264)</u>	<u>(207,044)</u>
Other Financing Receipts/(Disbursements)				
Sale of Notes	0	0	292,628	292,628
Transfers-In	336,388	0	220,333	556,721
Transfers-Out	(12,000)	(556,721)	0	(568,721)
Total Other Financing Receipts/(Disbursements)	<u>324,388</u>	<u>(556,721)</u>	<u>512,961</u>	<u>280,628</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	48,133	(2,246)	27,697	73,584
Fund Cash Balances, January 1, 2006	<u>85,637</u>	<u>228,416</u>	<u>522,809</u>	<u>836,862</u>
Fund Cash Balances, December 31, 2006	<u>\$ 133,770</u>	<u>\$ 226,170</u>	<u>\$ 550,506</u>	<u>\$ 910,446</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, 2006

	Proprietary Funds Types	Fiduciary Funds Types	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 1,087,108	\$ 0	\$ 1,087,108
Fines, Licenses and Permits	0	13,660	13,660
Total Operating Cash Receipts	1,087,108	13,660	1,100,768
Operating Cash Disbursements:			
Personal Service	253,044	0	253,044
Employee Fringe Benefits	87,818	0	87,818
Contractual Services	243,062	0	243,062
Supplies and Materials	89,761	0	89,761
Other	27,789	13,660	41,449
Total Operating Cash Disbursements	701,474	13,660	715,134
Operating Income/ (Loss)	385,634	0	385,634
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investments	9,771	0	9,771
Sale of Bonds	505,000	0	505,000
Debt Service:			
Redemption of Principal	(646,185)	0	(646,185)
Interest Expense	(84,575)	0	(84,575)
Miscellaneous Receipts	6,335	0	6,335
Capital Outlay	(17,202)	0	(17,202)
Total Non-Operating Cash Receipts/(Expenses)	(226,856)	0	(226,856)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	158,778	0	158,778
Transfers-In	12,000	0	12,000
Net Revenues Over/(Under) Expenses	170,778	0	170,778
Fund Cash Balances, January 1, 2006	592,922	0	592,922
Fund Cash Balances, December 31, 2006	\$ 763,700	\$ 0	\$ 763,700

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, 2005

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 76,058	\$ 63,721	\$ 0	\$ 139,779
Municiple Income Tax	0	526,727	0	526,727
Intergovernmental Revenues	135,905	116,400	268,586	520,891
Fines, Licenses and Permits	21,992	0	0	21,992
Earnings on Investments	15,064	974	0	16,038
Miscellaneous	9,853	0	0	9,853
	<u>258,872</u>	<u>707,822</u>	<u>268,586</u>	<u>1,235,280</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	365,883	0	0	365,883
Public Health Service	5,587	0	0	5,587
Leisure Time Activities	19,479	0	0	19,479
Community Environment	6,000	0	0	6,000
Transportation	0	121,716	0	121,716
General Government	100,648	18,343	0	118,991
Capital Outlay	0	4,000	670,370	674,370
	<u>497,597</u>	<u>144,059</u>	<u>670,370</u>	<u>1,312,026</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(238,725)</u>	<u>563,763</u>	<u>(401,784)</u>	<u>(76,746)</u>
Other Financing Receipts/(Disbursements):				
Sale of Notes	0	0	220,119	220,119
Transfers-In	295,217	5,065	196,122	496,404
Transfers-Out	(8,000)	(502,257)	0	(510,257)
Total Other Financing Receipts (Disbursements)	<u>287,217</u>	<u>(497,192)</u>	<u>416,241</u>	<u>206,266</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,492	66,571	14,457	129,520
Fund Cash Balances, January 1, 2005	<u>37,145</u>	<u>161,845</u>	<u>508,352</u>	<u>707,342</u>
Fund Cash Balances, December 31, 2005	<u>\$ 85,637</u>	<u>\$ 228,416</u>	<u>\$ 522,809</u>	<u>\$ 836,862</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, 2005

	<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	\$ 955,411	\$ 0	\$ 955,411
Fines, Licenses and Permits	0	13,037	13,037
Miscellaneous	0	0	0
Total Operating Cash Receipts	<u>955,411</u>	<u>13,037</u>	<u>968,448</u>
Operating Cash Disbursements:			
Personal Service	253,913		253,913
Employee Fringe Benefits	77,784	0	77,784
Contractual Services	233,256	0	233,256
Supplies and Materials	129,467	0	129,467
Other	29,602	13,037	42,639
Total Operating Cash Disbursements	<u>724,022</u>	<u>13,037</u>	<u>737,059</u>
Operating Income/ (Loss)	<u>231,389</u>	<u>0</u>	<u>231,389</u>
Non Operating Receipts/(Disbursements):			
Earnings on Investments	5,242	0	5,242
Sale of Bonds	535,000	0	535,000
Debt Service:			
Redemption of Principal	(658,185)	0	(658,185)
Interest Expense	(156,796)	0	(156,796)
Miscellaneous Receipts	1,064	0	1,064
Capital Outlay	(35,648)	0	(35,648)
Total Non Operating Receipts/(Disbursements):	<u>(309,323)</u>	<u>0</u>	<u>(309,323)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers			
	(77,934)	0	(77,934)
Transfers-In	<u>13,853</u>	<u>0</u>	<u>13,853</u>
Net Revenues Over/(Under) Expenses	(64,081)	0	(64,081)
Fund Cash Balances, January 1, 2005	<u>657,003</u>	<u>0</u>	<u>657,003</u>
Fund Cash Balances, December 31, 2005	<u>\$ 592,922</u>	<u>\$ 0</u>	<u>\$ 592,922</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, 2006 AND 2005

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.

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.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

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.

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.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The 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 2006 and 2005 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.

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>2006</u>	<u>2005</u>
Demand Deposits	\$1,674,146	\$1,429,784

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, 2006 AND 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 571,789	\$ 579,992	\$ 8,203
Special Revenue	752,400	730,036	(22,364)
Capital Projects	1,145,371	1,203,795	58,424
Enterprise Funds	1,643,293	1,620,214	(23,079)
Total	<u>\$ 4,112,853</u>	<u>\$ 4,134,037</u>	<u>\$ 21,184</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 573,100	\$ 531,859	\$ 41,241
Special Revenue	789,569	732,282	57,287
Capital Projects	1,209,771	1,176,098	33,673
Enterprise Funds	1,747,063	1,449,436	297,627
Total	<u>\$ 4,319,503</u>	<u>\$ 3,889,675</u>	<u>\$ 429,828</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 531,526	\$ 554,089	\$ 22,563
Special Revenue	606,649	712,887	106,238
Capital Projects	676,519	684,827	8,308
Enterprise Funds	1,610,820	1,510,570	(100,250)
Total	<u>\$ 3,425,514</u>	<u>\$ 3,462,373</u>	<u>\$ 36,859</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 534,625	\$ 505,597	\$ 29,028
Special Revenue	678,665	646,316	32,349
Capital Projects	940,769	670,370	270,399
Enterprise Funds	1,815,245	1,574,651	240,594
Total	<u>\$ 3,969,304</u>	<u>\$ 3,396,934</u>	<u>\$ 572,370</u>

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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, 2006 was as follows:

	<u>Principal</u>	<u>Interest</u>
1998 General Obligation Bonds	\$590,000	4.90%
1998 Sewer Bonds	1,325,000	4.90%
OWDA	326,385	5.89%
OPWC Sewer Loan	80,407	0.00%
OPWC Water Loan	85,000	0.00%
General Obligation Bonds	505,000	3.95%
Water Tower Loan	209,093	2.00%
OPWC Water Tower Planning	34,990	0.00%
Total	<u>\$3,155,875</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.

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%. Loan closed 5/10/2007, no amortization schedule available at December 31, 2006.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

5. DEBT, (continued)

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

Year Ending December 31,	1998 General Obligation Bonds	1998 Sewer Bonds	OWDA	OPWC Sewer Loan	OPWC Water Loan	General Obligation Bonds	OPWC WTP Planning
2007	\$ 75,260	\$ 171,100	\$ 345,609	\$ 6,185	\$ 5,000	\$ 48,300	\$ 1,750
2008	77,908	175,520	0	6,185	5,000	47,312	1,750
2009	75,383	174,220	0	6,185	5,000	46,275	1,750
2010	77,678	172,640	0	6,185	5,000	45,213	1,750
2011	74,789	174,280	0	6,185	5,000	49,125	1,750
2012 – 2016	380,845	862,240	0	30,926	25,000	239,609	8,747
2017 – 2021	0	0	0	18,556	25,000	241,516	8,747
2022 – 2026	0	0	0	0	10,000	0	8,746
Total	<u>\$ 761,863</u>	<u>\$ 1,730,000</u>	<u>\$ 345,609</u>	<u>\$ 80,407</u>	<u>\$ 85,000</u>	<u>\$ 717,350</u>	<u>\$ 34,990</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, 2006 and 2005 amounted to \$56,743 and \$47,640, 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 2006 and 2005, members of OP&F contribute 10% of their wages to the OP&F. The Village contributes an amount equal to 19.5% of their wages. OPERS members contribute 9% and 8.5% of their gross salaries for 2006 and 2005, respectively. The Village contributes an amount equal to 13.7% and 13.55% of participants’ gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

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 \$566,224 and \$526,727 for 2006 and 2005, respectively. Income tax receipts are transferred to the General fund and Capital Projects fund per ordinance.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

8. RISK MANAGEMENT

The Village is insured through the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 460 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

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.

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

<u>Type</u>	<u>Coverage</u>
Umbrella	\$5,000,000
General Liability	3,000,000
Buildings & Personal Property	7,211,722
Inland Marine	234,610
Automobile	1,000,000

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets liabilities and retained earnings at December 31, 2005 and 2004 (latest available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</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

**INDEPENDENT ACCOUNTANTS' 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, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 30, 2007, 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 audits 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated May 30, 2007.

Compliance and Other Matters

As part of reasonably assuring 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 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In a separate letter to the Village's management dated May 30, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

May 30, 2007



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 19, 2007**