

***VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Spencerville
116 S. Broadway St.
Spencerville, OH 45887-1267

We have reviewed the *Report of Independent Accountants* of the Village of Spencerville, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 27, 2006

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**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 & 2003**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Spencerville
116 S. Broadway Street
Spencerville, Ohio 45887

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, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 year ended December 31, 2004, 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, 2004, or its changes in financial position for the year 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, 2004 and 2003, and its combined cash receipts and disbursements and changes in fund cash balances 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 year ended December 31, 2004. 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 our report dated September 30, 2005, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 30, 2005

VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
As of December 31, 2004 & 2003

	<u>2004</u>	<u>2003</u>
	<u>Balance</u>	<u>Balance</u>
Cash and Cash Equivalents	\$ <u>1,364,345</u>	\$ <u>1,408,845</u>

CASH BALANCES BY FUND CLASS

Governmental Fund Types:

General Fund	\$ 37,145	\$ 21,674
Special Revenue Funds	161,845	46,455
Capital Projects Funds	<u>508,352</u>	<u>386,454</u>
Total	<u>707,342</u>	<u>454,583</u>

Proprietary Fund Types:

Enterprise Funds	657,003	861,014
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Fiduciary Fund Type:

Agency Fund	<u>-</u>	<u>93,248</u>
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Total	\$ <u>1,364,345</u>	\$ <u>1,408,845</u>
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See Accompanying Notes to the Financial Statements.

VILLAGE OF SPENCERVILLE
 ALLEN COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 All Governmental Fund Types
 For the Year Ended December 31, 2004

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 69,689	\$ 65,834	\$ -	\$ 135,523
Income Tax	-	463,017	-	463,017
Intergovernmental	120,232	90,006	19,589	229,827
Fines, Licenses and Permits	18,162	-	-	18,162
Interest	8,398	348	-	8,746
Other	9,493	-	800	10,293
Total Receipts	225,974	619,205	20,389	865,568
Disbursements:				
Current:				
Security of Persons & Property	348,802	-	-	348,802
Public Health Services	5,429	-	-	5,429
Leisure Time Activities	10,132	-	-	10,132
Community Environment	4,000	-	-	4,000
Transportation	-	141,985	-	141,985
General Government	91,900	18,812	-	110,712
Capital Outlay	-	-	72,997	72,997
Total Disbursements	460,263	160,797	72,997	694,057
Total Receipts Over/(Under) Disbursements	(234,289)	458,408	(52,608)	171,511
Other Financing Sources/(Uses):				
Transfers-In	261,760	-	174,506	436,266
Transfers-Out	(12,000)	(436,266)	-	(448,266)
Total Other Financing Sources/(Uses)	249,760	(436,266)	174,506	(12,000)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	15,471	22,142	121,898	159,511
Fund Cash Balance January 1, 2004 Restated, See Note 11	21,674	139,703	386,454	547,831
Fund Cash Balance December 31, 2004	\$ 37,145	\$ 161,845	\$ 508,352	\$ 707,342

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds and Similar Fiduciary Funds
For the Year Ended December 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total - (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Receipts:			
Charges for Services	\$ 926,002	\$ -	\$ 926,002
Fines, Licenses and Permits	-	9,435	9,435
Interest	1,871	-	1,871
Total Receipts	927,873	9,435	937,308
Disbursements:			
Personal Services	254,774	-	254,774
Employee Fringe Benefits	75,520	-	75,520
Contractual Services	243,165	-	243,165
Materials and Supplies	126,490	-	126,490
Capital Outlay	61,248	-	61,248
Miscellaneous	30,488	9,435	39,923
Debt Service:			
Principal	244,185	-	244,185
Interest	132,945	-	132,945
Total Disbursements	1,168,815	-	1,178,250
Excess of Receipts Over (Under) Disbursements	(240,942)	-	(240,942)
Nonoperating Receipts (Disbursements):			
Loan Proceeds	24,931	-	24,931
Transfer In	12,000	-	12,000
Total Nonoperating Receipts (Disbursements)	36,931	-	36,931
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	(204,011)	-	(204,011)
Fund Balance, January 1, 2004	861,014	-	861,014
Fund Balance, December 31, 2004	\$ 657,003	\$ -	\$ 657,003

See Accompanying Notes to the Financial Statements.

VILLAGE OF SPENCERVILLE
 ALLEN COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 All Governmental Fund Types
 For the Year Ended December 31, 2003

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Local Taxes	\$ 65,188	\$ 43,490	\$ -	\$ -	\$ 108,678
Intergovernmental	114,162	58,761	-	149,680	322,603
Special Assessments	-	-	23	-	23
Charges for Services	13,324	-	-	-	13,324
Fines, Licenses and Permits	12,336	-	-	-	12,336
Interest	10,646	329	-	-	10,975
Other	1,314	-	-	-	1,314
Total Receipts	216,970	102,580	23	149,680	469,253
Disbursements:					
Current:					
Security of Persons & Property	346,951	-	-	-	346,951
Public Health Services	5,692	-	-	-	5,692
Leisure Time Activities	6,247	-	-	-	6,247
Community Environment	7,050	-	-	-	7,050
Transportation	-	81,693	-	-	81,693
General Government	117,350	-	-	-	117,350
Capital Outlay	-	-	-	263,233	263,233
Total Disbursements	483,290	81,693	-	263,233	828,216
Total Receipts Over/(Under) Disbursements	(266,320)	20,887	23	(113,553)	(358,963)
Other Financing Sources/(Uses):					
Transfers-In	277,783	-	-	183,360	461,143
Transfers-Out	-	-	(2,744)	-	(2,744)
Total Other Financing Sources/(Uses)	277,783	-	(2,744)	183,360	458,399
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	11,463	20,887	(2,721)	69,807	99,436
Fund Cash Balance January 1, 2003	10,211	25,568	2,721	316,647	355,147
Fund Cash Balance December 31, 2003	\$ 21,674	\$ 46,455	\$ -	\$ 386,454	\$ 454,583

See Accompanying Notes to the Financial Statements.

VILLAGE OF SPENCERVILLE
ALLEN COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds and Similar Fiduciary Funds
For the Year Ended December 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total - (Memorandum Only)
	Enterprise	Agency Fund	
Receipts:			
Charges for Services	\$ 883,690	\$ -	\$ 883,690
Income Taxes	-	467,045	467,045
Interest	3,654	-	3,654
Fines, Licenses and Permits	-	11,457	11,457
Miscellaneous	737	-	737
Total Receipts	888,081	478,502	1,366,583
Disbursements:			
Personal Services	234,117	8,399	242,516
Employee Fringe Benefits	74,334	1,515	75,849
Contractual Services	246,469	-	246,469
Materials and Supplies	134,540	999	135,539
Capital Outlay	714,737	-	714,737
Miscellaneous	29,717	14,091	43,808
Debt Service:			
Principal	185,531	-	185,531
Interest	126,645	-	126,645
Total Disbursements	1,746,090	25,004	1,771,094
Excess of Receipts Over (Under) Disbursements	(858,009)	453,498	(404,511)
Nonoperating Receipts (Disbursements):			
Sale of Notes	665,000	-	665,000
Loan Proceeds	248,036	-	248,036
Transfer Out	-	(458,399)	(458,399)
Total Nonoperating Receipts (Disbursements)	913,036	(458,399)	454,637
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	55,027	(4,901)	50,126
Fund Balance, January 1, 2003	805,987	98,149	904,136
Fund Balance, December 31, 2003	\$ 861,014	\$ 93,248	\$ 954,262

See Accompanying Notes to the Financial Statements.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

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 for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government 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 included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

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

C. CASH

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 or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

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

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

- Street Construction, Maintenance and Repair Fund
- Street Highway Improvement Fund
- Permissive Motor Vehicle License Tax Fund
- Income Tax Fund- This fund was classified as an Agency Fund in 2003 and years prior.

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Projects Fund:

- Water Tower Project

Debt Service Fund: This fund is used to accumulate resources for the payment of bond and note indebtedness.

VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Proprietary Fund Types:

Enterprise Funds:

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

- Water Operating Fund
- Sewer Operating Fund
- Recreation Fund
- Refuse Fund
- Enterprise Improvement Fund
- First Mortgage Debt Service Fund
- Debt Service Reserve Fund

Fiduciary Fund Type: To account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

Agency Fund:

- Mayor's Court
- Income Tax (2003 only)

VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

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

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

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

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the function level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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>2003</u>	<u>2004</u>
Demand deposits	<u>\$1,408,845</u>	<u>\$1,364,345</u>

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

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

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

Public utilities are also taxed on personal and real property located within the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

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

4. BUDGETARY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

	<u>2004 Budgeted vs Actual Receipts</u>		
<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	<u></u>
General Fund	\$ 496,377	\$ 487,734	\$ (8,643)
Special Revenue Funds	610,831	619,205	8,374
Capital Projects Fund	285,000	194,895	(90,105)
Enterprise Funds	1,131,200	964,804	(166,396)

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

4. BUDGETARY - (Continued)

2004 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 497,983	\$ 472,263	\$ 25,720
Special Revenue Funds	646,653	597,063	49,590
Capital Projects Fund	261,000	72,997	188,003
Enterprise Funds	1,393,970	1,168,815	225,155

2003 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 489,180	\$ 494,753	\$ 5,573
Special Revenue Funds	76,250	102,580	26,330
Debt Service	23	23	-
Capital Projects Fund	351,400	333,040	(18,360)
Enterprise Funds	1,818,749	1,801,117	(17,632)

2003 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 497,562	\$ 483,290	\$ 14,272
Special Revenue Funds	96,025	81,693	14,332
Debt Service	2,744	2,744	-
Capital Projects Fund	416,000	263,233	152,767
Enterprise Funds	1,935,007	1,746,090	188,917

5. RETIREMENT SYSTEMS

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

Contribution rates are prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2004.

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related torts, theft, destruction of assets, errors and omissions, injuries to employees and natural disasters and has obtained the following significant coverage from a private insurer:

<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

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

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

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

7. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
1998 General Obligation Bonds	\$680,000	4.00%
1998 Sewer Bonds	1,462,000	4.00%
OWDA	122,371	5.89%
OPWC Sewer Loan	92,777	0.00%
OPWC Water Loan	95,000	0.00%
Bond Anticipation Note	565,000	2.00%
Total	<u>\$3,017,148</u>	

VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

7. DEBT - (Continued)

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

<u>Year Ended</u>	1998 General Obligation Bonds	1998 First Mortgage Sewer Bonds	<u>OWDA</u>	OPWC Sewer Loan	OPWC Water Loan	Bond Anticipation Note
2005	\$ 79,580	\$ 175,780	No	\$ 6,185	\$ 5,000	\$ 576,300
2006	77,443	176,050	Amortization	6,185	5,000	-
2007	75,260	171,100	Schedule	6,185	5,000	-
2008	77,907	175,520	Prepared	6,185	5,000	-
2009	75,383	174,220		30,926	5,000	-
2010-2014	381,765	860,400		30,926	25,000	-
2015-2019	153,113	348,760		6,187	25,000	-
2020-2023	-	-		-	20,000	-
Total	\$ 920,451	\$2,081,830		\$ 92,777	\$ 95,000	\$ 576,300

8. INCOME TAX

The Village levies a 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.

9. DEBT SERVICE TRUSTEED FUNDS

The First Mortgage Sewer System Revenue Bond trust agreement requires monthly payments (proportionate to one-twelfth of the annual principal payment and one-sixth of the semi-annual interest payment) to be held in trust in a "Sewer System Bond Account" to be invested in direct obligations of the United States of America, maturing or redeemable by the holder not later than the times and to the extent such moneys are required for the purpose of bond principal and interest payments. Monies accumulated in this trust account (expensed from the books of the Village as monthly payments) at December 31, 2004 amounted to \$49,303.

10. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2004 consisted of the following:

<u>Transfer From:</u>	<u>Enterprise Funds</u>	<u>Transfer To:</u> <u>General Fund</u>	<u>Capital Projects Fund</u>
Special Revenue Income Tax Fund	-	\$261,760	\$174,506
General Fund	\$12,000	-	-

**VILLAGE OF SPENCERVILLE
ALLEN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

10. INTERFUND TRANSFERS - (Continued)

Interfund transfers for the year ended December 31, 2003 consisted of the following:

<u>Transfer From:</u>	<u>Transfer To:</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>
Agency-Income Tax Fund	\$275,039	\$183,360
Debt Service	\$2,744	-

Unrestricted receipts collected in the general fund are transferred to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Income tax receipts are collected and accounted for in a special revenue fund (2004) and agency fund (2003) and transferred to the general fund and the capital projects fund in accordance with budgetary authorizations.

A transfer of inactive funds was made from the debt service fund to the general fund in 2004. All requirements of the Ohio Revised Code were followed.

11. RESTATEMENT OF FUND BALANCE

The income tax fund was accounted for as an agency fund for 2003 and the preceding years. However, beginning in 2004 the activity for this fund was accounted for as a special revenue fund. The beginning fund balances for the special revenue funds and agency fund were restated as of January 1, 2004 as follows:

	<u>Special Revenue Fund</u>	<u>Agency Fund</u>
Fund balance December 31, 2003, prior to restatement	\$ 46,455	\$93,248
Fund balance January 1, 2004, after restatement	\$ 139,703	\$ -

12. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Spencerville
116 S. Broadway Street
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, 2004 and 2003, and have issued our report thereon dated September 30, 2005, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris and Associates, Inc.

September 30, 2005

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2002 and 2001, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

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
MARCH 9, 2006**