



**Auditor of State
Betty Montgomery**

VILLAGE OF ALGER
HARDIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Alger
Hardin County
P.O. Box 400
207 Angle Street
Alger, Ohio 45812

To the Village Council:

We have audited the accompanying financial statements of the Village of Alger, Hardin County, (the "Village"), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, and Members of Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 26, 2004

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$67,043		\$67,043
State Shared Taxes and Permits	23,552	28,072	51,624
Special Assessments		3,918	3,918
Fines, Licenses, and Permits	871		871
Earnings on Investments	2,396	367	2,763
Miscellaneous	6,810	1,638	8,448
	<u>100,672</u>	<u>33,995</u>	<u>134,667</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	37,807		37,807
Public Health Services	2,606		2,606
Leisure Time Activities	3,371		3,371
Transportation		42,257	42,257
General Government	57,369		57,369
Debt Service		4,291	4,291
Capital Outlay	64		64
	<u>101,217</u>	<u>46,548</u>	<u>147,765</u>
Total Receipts Under Disbursements	(545)	(12,553)	(13,098)
Other Financing Disbursements:			
Other Financing Uses	(721)		(721)
Cash Receipts Under Cash Disbursements and Other Financing Disbursements	(1,266)	(12,553)	(13,819)
Fund Cash Balances, January 1	<u>(35,109)</u>	<u>20,135</u>	<u>(14,974)</u>
Fund Cash Balances, December 31	<u>(\$36,375)</u>	<u>\$7,582</u>	<u>(\$28,793)</u>
Reserves for Encumbrances, December 31	<u><u>\$6,686</u></u>	<u><u>\$691</u></u>	<u><u>\$7,377</u></u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Operating Cash Receipts:	
Charges for Services	\$218,657
Miscellaneous	<u>3,514</u>
Total Operating Cash Receipts	<u>222,171</u>
Operating Cash Disbursements:	
Personal Services	28,295
Fringe Benefits	13,892
Contractual Services	33,682
Supplies and Materials	26,146
Capital Outlay	<u>1,236,985</u>
Total Operating Cash Disbursements	<u>1,339,000</u>
Operating Loss	<u>(1,116,829)</u>
Non-Operating Cash Receipts:	
Earnings on Investments	580
Special Assessments	10,630
Proceeds from Notes and Bonds	<u>1,244,757</u>
Total Non-Operating Cash Receipts	<u>1,255,967</u>
Non-Operating Cash Disbursements:	
Debt Service	32,646
Other Non-Operating Cash Disbursements	<u>5,635</u>
Total Non-Operating Cash Disbursements	<u>38,281</u>
Total Receipts Over Disbursements	100,857
Fund Cash Balances, January 1	<u>145,064</u>
Fund Cash Balances, December 31	<u><u>\$245,921</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,678</u></u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$72,676	\$6,000	\$78,676
State Shared Taxes and Permits	29,457	27,441	56,898
Special Assessments		368	368
Charges for Services		1,151	1,151
Fines, Licenses, and Permits	25		25
Earnings on Investments	454	1,598	2,052
Miscellaneous	6,826	150	6,976
	<u>109,438</u>	<u>36,708</u>	<u>146,146</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	38,135		38,135
Public Health Services	2,496		2,496
Leisure Time Activities	5,485		5,485
Transportation		45,346	45,346
General Government	86,930		86,930
Capital Outlay		7,000	7,000
	<u>133,046</u>	<u>52,346</u>	<u>185,392</u>
Total Receipts Under Disbursements	(23,608)	(15,638)	(39,246)
Other Financing Disbursements:			
Other Financing Uses	<u>(3,901)</u>	<u>(243)</u>	<u>(4,144)</u>
Cash Receipts Under Cash Disbursements and Other Financing Disbursements	(27,509)	(15,881)	(43,390)
Fund Cash Balances, January 1	<u>(7,600)</u>	<u>36,016</u>	<u>28,416</u>
Fund Cash Balances, December 31	<u><u>(\$35,109)</u></u>	<u><u>\$20,135</u></u>	<u><u>(\$14,974)</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,330</u></u>	<u><u>\$4,875</u></u>	<u><u>\$7,205</u></u>

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

VILLAGE OF ALGER
HARDIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

Operating Cash Receipts:	
Charges for Services	\$213,209
Miscellaneous	<u>3,401</u>
Total Operating Cash Receipts	<u>216,610</u>
Operating Cash Disbursements:	
Personal Services	29,064
Fringe Benefits	13,270
Contractual Services	55,361
Supplies and Materials	13,538
Capital Outlay	<u>122,883</u>
Total Operating Cash Disbursements	<u>234,116</u>
Operating (Loss)	<u>(17,506)</u>
Non-Operating Cash Receipts:	
Earnings on Investments	4,155
Special Assessments	9,965
State Grants	<u>107,400</u>
Total Non-Operating Cash Receipts	<u>121,520</u>
Non-Operating Cash Disbursements:	
Debt Service	30,000
Other Non-Operating Cash Disbursements	<u>24,253</u>
Total Non-Operating Cash Disbursements	<u>54,253</u>
Total Receipts Over Disbursements	49,761
Fund Cash Balances, January 1	<u>95,303</u>
Fund Cash Balances, December 31	<u><u>\$145,064</u></u>
Reserve for Encumbrances, December 31	<u><u>\$3,321</u></u>

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

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Alger, Hardin 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 is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police protection (security of persons and property).

The Village contracts with the Village of Alger Fire Department to provide fire protection 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

Certificates of deposit are valued at cost.

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 Fund

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.

Street Light Assessment Fund - This fund receives assessments from property owners to provide street lighting.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise 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 Fund:

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

New Water Fund – This fund was established to account for the building of the new water plant and to pay the debt obtained for the project. Revenues consist of grants, loans and user charges.

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 or 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash 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. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 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 ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

	2002	2001
Demand deposits	\$111,236	\$26,815
Certificates of deposit	105,892	103,275
Total deposits	\$217,128	\$130,090

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,312	\$100,672	(\$12,640)
Special Revenue	55,456	33,995	(21,461)
Enterprise	1,235,200	1,478,138	242,938
Total	\$1,403,968	\$1,612,805	\$208,837

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$108,624	(\$108,624)
Special Revenue		47,239	(47,239)
Enterprise		1,378,959	(1,378,959)
Total		\$1,534,822	(\$1,534,822)

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$116,245	\$109,438	(\$6,807)
Special Revenue	46,976	36,708	(10,268)
Enterprise	250,739	338,130	87,391
Total	\$413,960	\$484,276	\$70,316

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$139,277	(\$139,277)
Special Revenue		57,464	(57,464)
Enterprise		291,690	(291,690)
Total		\$488,431	(\$488,431)

During 2002 and 2001, the Village recorded various revenues belonging to the Special Revenue Street Construction, Maintenance and Repair Fund and the State Highway Fund, in the wrong fund which violated the requirements of Ohio Rev. Code Section 5705.10.

At December 31, 2002, negative fund balances existed in the General Fund, Street Fund Construction, Maintenance and Repair Fund, Street Light Fund, Water Operating Fund, Sewer Operating Fund and Water Capital Improvement Fund. At December 31, 2001, negative fund balances existed in the General Fund, Street Construction Maintenance and Repair Fund, Street Light Fund, Water Operating Fund and Sewer Operating Fund. These negative fund balances violated the requirements of Ohio Rev. Code Section 5705.10.

During 2002 and 2001, the Village violated the requirements of Ohio Rev. Code Section 5705.36 when it failed to amend its certificate of estimated resources when actual revenues were greater than or less than estimated revenues.

During 2002 and 2001, the Village violated Ohio Rev. Code Section 5705.26, by failing to timely certify to the County Auditor the amounts available for expenditure along with balances at the end of preceding year.

The Village violated Ohio Rev. Code Section 5705.38 when it failed to file Council approved appropriations with the County Auditor. Since the Village did not have legally adopted appropriations, it also violated Ohio Rev. Code Section 5705.41(B) since expenditures exceeded appropriations.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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 State Shared Taxes and Permits. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2002, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewerage System Construction Bonds	\$92,000	5%
Sanitary Sewerage First Mortgage Revenue Bonds	265,000	5%
Ohio Water Development Authority Loan	1,271,620	2%
Ohio Public Works Commission Loan	<u>79,896</u>	0%
Total Debt	<u>\$1,708,516</u>	

The \$170,800 Sanitary Sewerage System Construction Bonds were issued during 1984 to construct a sanitary sewage system payable with special assessments levied upon property owners. Principal and interest payments are due annually with the final payment being due in 2024. The Village is required to place the funds derived from said levy in a separate and distinct fund and make the principal and interest payments therefrom. During 2002, the Village recorded the assessments and payments in the wrong fund. During 2001, debt payments were made from the wrong fund.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

The \$345,000 Sanitary Sewerage First Mortgage Revenue Bonds were issued during 1984 for the purpose of paying a portion of the construction of a sanitary sewage system and acquiring real estate in connection therewith payable from user fees. Principal and interest are due annually, with the final payment being due in 2024. The debt agreement requires that the following funds be established so long as any bond remains unpaid: Sanitary Sewerage System Revenue Fund, Sanitary Sewerage System Debt Service Fund, Sanitary Sewerage System Surplus Fund, and Sanitary Sewerage System Reserve Fund. User fees collected are to be posted to the Revenue Fund in an amount to pay all reasonable and proper expenses of operating and maintaining the Utility; to the Debt Service Fund on the first day of each month, the equal monthly amount necessary to provide for the payment of the interest and principal due on the next ensuring payment date upon all bonds outstanding; such sum monthly to make up any previous deficiency in any monthly allocation required to be accumulated in the Revenue Fund and/or Debt Service Fund as provided above; to the Debt Reserve Fund, an amount equal to \$163 monthly up to a maximum of \$19,560; and annually on January 15, any excess revenues available in the Revenue Fund, after making all required payments required previously, to be transferred to the Surplus Fund.

The debt agreement also requires that Interest on any moneys or investments in any fund authorized herein shall be credited to the fund containing the moneys or investments on which the interest was earned. In addition, the debt agreement states there shall be charged such rates as shall be required to meet the above requirements and that the Village is to be audited annually and is to furnish a copy of each audit to the FmHa.

The Village failed to credit interest to the Sanitary Sewerage System Revenue Fund, Sanitary Sewerage System Debt Service Fund, Sanitary Sewerage System Surplus Fund, and Sanitary Sewerage System Reserve Fund.

The Ohio Water Development Authority (OWDA) Loan was approved on February 28, 2002 for the design, construction, maintenance and operation of a new water treatment plant in the amount of \$1,265,951 with interest at the rate of two (2%) percent per annum for a period of thirty (30) years. The first payment is due on July 1, 2003, payable from water user fees. Principal and interest payments are due semi-annually with the final payment being due in 2030. At December 31, 2002, the Village's outstanding balance on this loan is \$1,271,620 which consists of the total approved loan plus capitalized interest during the construction period. The Village's financial statements reflect actual loan proceeds received in 2002 of \$1,216,183. The amortization schedule presented below is calculated based on the total outstanding balance as of December 31, and could change depending on the amount the Village actually borrows.

The Ohio Public Works Commission Loan (OPWC) was approved on July, 2000, in the amount of \$79,896, with a 0% interest rate, for water treatment improvements. The first payment is due on July 1, 2003, payable from water user fees. Principal payments are due annually with the final payment being due in 2023. The Village's financial statements reflect loan proceeds of \$28,574 received in 2002. The outstanding principal and amortization schedules reflect the entire debt issue since the Village received an amortization schedule in January, 2003.

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	Construction Bonds	Mortgage Revenue Bonds	Ohio Water Development Authority Loan	Ohio Public Works Commission Loan
2003	\$9,600	\$20,250	\$56,572	\$1,997
2004	9,350	19,900	56,572	3,995
2005	9,100	20,550	56,572	3,995
2006	8,850	20,150	56,572	3,995
2007	7,600	19,750	56,572	3,995
Subsequent	<u>98,600</u>	<u>342,050</u>	<u>1,414,328</u>	<u>61,919</u>
Total	\$143,100	\$442,650	\$1,697,188	\$79,896

7. RETIREMENT SYSTEMS

A. Public Employees Retirement System

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio, with the exception of some elected officials. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

B. Social Security System

One Council member and three members of the Board of Public Affairs have elected Social Security. The Village's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Law Enforcement

**VILLAGE OF ALGER
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. CONTINGENT LIABILITIES

There are currently no matters in litigation with the District as defendant.

10. NEGATIVE FUND BALANCES

At December 31, 2002, the General Fund, Street Construction Maintenance and Repair Fund, Street Light Fund, Water Operating Fund, Sewer Operating Fund, and Water Capital Improvement Fund had deficit fund balances of \$36,375, \$20,218, \$8,937, \$8,379, \$23,148, and \$6,168 respectively. The Village will reduce future appropriations and expenditures in these funds in an attempt to have positive fund balances in the near future.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Alger
Hardin County
P.O. Box 400
207 Angle Street
Alger, Ohio 45812

To the Village Council:

We have audited the accompanying financial statements of the Village of Alger, Hardin County, (the "Village"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 26, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-018. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-019 through 2002-021.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-019 through 2002-021 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated April 26, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 26, 2004

VILLAGE OF ALGER
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Finding for Recovery – Repaid Under Audit

Village of Alger Minutes, dated June 4, 2001, in accordance with **Village Ordinance 2000-13**, established the annual salary of the Assistant Clerk Treasurer, Jackie Prine, at \$14,500. **Village Ordinance 2002-04**, established the annual salary of the Village Fiscal Officer, Jackie Prine, at \$17,400. Village employees are paid biweekly or twenty-six times annually. During 2002, the Village Clerk Treasurer/Fiscal Officer received a total of twenty-seven payments, which resulted in an overpayment of \$557.70. After the Village Fiscal Officer's salary was set at \$17,400 on August 6, 2002, the Village Fiscal Officer should have been paid \$669.23 biweekly but was only paid \$657.70 biweekly, resulting in an underpayment of \$115.30 (ten weeks x \$11.53). In addition, the Fiscal Officer should have received the increase in pay for part of the pay period when the new salary rate was enacted. This resulted in an underpayment of \$44.62 for that pay period. The net result of the Village Fiscal Officer receiving twenty-seven payments instead of twenty-six, and being underpaid by \$11.53 for ten pay periods plus being underpaid \$44.62 for the partial pay period after August 6, 2002, is an overpayment of \$397.78 ($\$115.30 + \$44.62 - \$557.70 = \397.78).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jackie Prine, Village Fiscal Officer, and her bonding company Western Surety Company, jointly and severally, and in favor of the Village of Alger, in the amount of \$397.78.

This finding for recovery was repaid on May 12, 2004 with receipt # 47.

FINDING NUMBER 2002-002

Finding for Recovery – Repaid Under Audit

Village Ordinance 2001-08 set the hourly rate of pay for the Townman at \$10.82 and at one and one-half times the hourly rate, or \$16.23 for all time exceeding forty hours in a week. The Townman's time cards, which were approved for payment by Council, for the period from November 25 to December 8, 2001, indicate that he worked eighty regular hours and seven overtime hours. Eighty regular hours at a rate of \$10.82 per hour is \$865.60 and seven overtime hours at a rate of \$16.23 per hour is \$113.61, for a total of \$979.21 for the period. On December 14, 2001, the Townman received check number 1170, for the pay period November 25 to December 8, 2001, in the amount of \$1,092.82 as compensation for work performed during this period which resulted in the overpayment of \$113.61.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Charles Downing, Townman, and Jackie Prine, Village Fiscal Officer, and her bonding company Western Surety Company, jointly and severally, and in favor of the Village of Alger, in the amount of \$113.61.

This finding for recovery was repaid on May 12, 2004 with receipt # 46.

FINDING NUMBER 2002-003

Finding for Recovery

Ohio Rev. Code Section 4111.03 states that any employer shall pay an employee for overtime at a wage rate of one and one-half times the employee's regular wage rate for hours in excess of forty hours in one work week. During the period of June 1, 2002 through October 1, 2002, Scott Spiker, the former Village Police Officer was paid a total of 85 hours of overtime during pay periods when actual hours worked were not in excess of forty hours in any one work week. The Village approved rate of pay during this period was \$6.50 per hour, however he was paid at an overtime rate of \$9.75 which was one and one-half times the regular pay rate resulting in overpayment of \$3.25 per hour for an overpayment of \$276.25. During this same time period, according to time sheets, this Police Officer was under paid \$61.13, for a net overpayment of \$215.12.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Scott Spiker, former Police Officer, and Jackie Prine, Village Fiscal Officer, and her bonding company Western Surety Company, jointly and severally, and in favor of the Village of Alger, in the amount of \$215.12.

FINDING NUMBER 2002-004

Noncompliance

Ohio Rev. Code Sections 733.28 and 733.43 state that the Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, of all property owned by the Village and the income derived therefrom, and of all taxes and assessments. During 2002 and 2001, the books did not accurately report the receipts and expenditures of the Village. Problems identified included, but were not limited to, the following: tax revenues were sometimes recorded net of county auditor deductions instead of the gross amount or the deductions were recorded as a reduction of revenue; various revenues and/or expenditures were either recorded in the wrong line item, for the wrong amount, and/or in the wrong fund; receipts and/or expenditures were recorded more than once; one fund was classified within the wrong fund type; and some debt payments were paid out of incorrect funds.

As a result of these errors, approximately ninety-five audit adjustments were necessary to accurately reflect the financial activity of the Village. In addition, to misstating the financial statements and the reports presented to Council during the audit period and increased audit costs, these errors could also allow for fraud or misuse of Village funds. These errors did result in improper budgeting, deficit spending, negative fund balances and findings for recovery, as well as noncompliance with applicable Ohio Revised Code laws, ordinances, and debt agreements.

The Fiscal Officer should review the chart of accounts for villages as outlined in the Village Officer's Handbook for guidance in proper financial recording. In addition, the Village's software vendor should be contacted for an operations manual that would provide guidance in the use of the Village software. The Council and/or Audit Committee should periodically review the financial records to help assure that they are accurate, the information is complete, up to date, and all records are being maintained according to policy.

FINDING NUMBER 2002-005

Noncompliance

Ohio Rev. Code Sections 135.21 and 5705.10 require interest earned to be credited to the general fund unless otherwise expressly required by law. Ohio Constitution, Art. XII, Section 5a, and OAG Opinion No. 82-031, require interest earned on the proceeds of a motor vehicle license tax or fuel tax to be paid into the fund to which the principal belongs.

The Village did not allocate interest in proportion to the fund balances which resulted in the General Fund, State Highway Fund, and the Permissive Motor Vehicle License Fund not receiving their proportionate share of interest income.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund type balances:

	General Fund	Street Light Fund	State Highway Fund	State Permissive Fund
2001	(\$1,598)	\$566	\$566	\$466
2002	(\$ 367)		\$173	\$194

The Council and/or Audit Committee should implement monitoring procedures to help assure that interest revenue is recorded in the correct funds.

FINDING NUMBER 2002-006

Noncompliance

Ohio Rev. Code Section 5705.10 states that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2002, the Village incorrectly recorded Motor Vehicle Registration Revenue in the General Fund instead of Street Construction Maintenance and Repair Fund and/or the State Highway Fund.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following net effect upon the respective fund type balances:

	General Fund	Street Fund	State Highway Fund
2002	(\$409)	\$379	\$30
2001	(\$86)		\$ 86

The Council and/or Audit Committee should implement monitoring procedures to help assure that revenue is recorded in the correct funds.

FINDING NUMBER 2002-007

Noncompliance

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purpose for which such fund has been established. The existence of negative fund balances indicates that money from one fund has been used to cover expenses related to another fund.

The following funds had negative balances as of December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
General Fund	(\$36,375)	(\$35,109)
Street Construction Maintenance and Repair	(20,218)	(12,621)
Street Light	(8,937)	(1,744)
Water Operating	(8,379)	(6,694)
Sewer Operating	(23,148)	(5,376)
Water Capital Improvement	(6,168)	

The Village and/or the Audit Committee should implement review procedures to monitor revenues and expenditures to help prevent negative fund balances. Monthly fund balance reports should be presented to the Council for their review and approval.

FINDING NUMBER 2002-008

Noncompliance

Ohio Rev. Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriations or supplemental appropriation.

During 2002, the following funds had actual revenues less than budgeted revenues in the following amounts:

General Fund	\$12,640
Street Construction, Maintenance, and Repair Fund	12,999
Street Light	9,920
Water Operating	14,424
Sewer Operating	22,456

FINDING NUMBER 2002-008
(Continued)

During 2001, the following funds had actual revenues less than budgeted revenues in the following amounts:

General Fund	\$6,807
Street Construction Maintenance and Repair Fund	11,857
Street Light Fund	5,708

In these instances, the Village had actual expenditures that were greater than actual revenues.

By not amending its certificate of estimated resources, the Village can not make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village Council and/or Audit Committee should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

Also, **Ohio Rev. Code 5705.36** states that on or about the first day of each fiscal year, the fiscal officers or subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year. During 2001, the Village did not certify the available resources to the County Auditor until February 5. During 2002, available resources were not certified until February 28.

The failure to complete and file this document in a timely manner prevents the County Auditor from completing other required budgetary forms and certifying incorrect beginning unencumbered fund balances could result in deficit spending and/or negative fund balances. Procedures should be implemented by the Village Council and/or Audit Committee to help ensure the timely and accurate complete and filing of the Certificate of Available Resources.

FINDING NUMBER 2002-009

Noncompliance

Ohio Rev. Code Section 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Council minutes indicate that appropriations were approved for both years under audit, but said minutes did not document the total amount of appropriations, appropriations by fund, or the legal level of control.

During 2002, appropriations were filed with the county auditor, but were not signed. During 2001, appropriations were not filed with the county auditor and, as a result, the Village did not receive a certificate from the county auditor. Therefore, it could not be determined what the legal appropriations were for the Village for 2002 and 2001.

FINDING NUMBER 2002-009
(Continued)

Also, **Ohio Rev. Code Section 5705.41 (B)** states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. Because the legal appropriations for the Village for both years under audit could not be determined, the conclusion is that expenditures exceeded appropriations.

The Village Council and/or Audit Committee should implement procedures to help ensure that Council signs the annual appropriations to evidence the amounts approved and files a copy with the County Auditor to enable the Auditor to certify that the total appropriations from each fund do not exceed the total estimated resources.

FINDING NUMBER 2002-010

Noncompliance

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for villages (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

One hundred percent of the Village's expenditures were not certified by the Village Fiscal Officer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above was utilized for these transactions. Procedures should be implemented by the Village Council and/or Audit Committee not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

FINDING NUMBER 2002-011

Noncompliance

Village of Alger Ordinance to issue Sanitary Sewerage System Construction Bonds (84-18), states that funds derived from the tax to pay interest and principal on the Sanitary Sewerage System Construction Bonds shall be placed in a separate and distinct fund. To comply with this ordinance, the Village established a Special Assessment Fund. During 2002, the Village recorded the assessments from this tax in the Sanitary Sewer Operating Fund in the amount of \$9,785 and made debt service payments in the amount of \$9,850 from the Sewer Debt Retirement Fund. During 2001, the Village made debt service payments, in the amount of \$10,100 from the Sewer Debt Reserve Fund.

**FINDING NUMBER 2002-011
 (Continued)**

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

	Enterprise Sewer Operating	Enterprise Sewer Debt Retirement	Enterprise Sewer Debt Reserve	Enterprise Sewer Assessment
2002	(\$9,785)	\$9,850		\$(65)
2001			\$10,100	(\$10,100)

The Village Council and/or Audit Committee should review Village Ordinance #84-18 to obtain a more thorough understanding of the requirements. Procedures should then be implemented by the Village Council and/or Audit Committee to monitor compliance with the debt agreements.

FINDING NUMBER 2002-012

Noncompliance

Village of Alger Ordinance to issue Sanitary Sewerage First Mortgage Revenue Bonds (84-19), states “. . . Interest on all moneys or investments in any fund authorized herein shall be credited to the fund containing the moneys or investments on which the interest was earned. The funds authorized under this ordinance include the Sewer Operating Fund, the Sewer Debt Retirement Fund, Sewer Debt Reserve Fund, and Sewer Excess Fund . . . It will maintain complete books and records relating to the operation of the Utility and its financial affairs and will cause such books and records to be audited annually at the end of each fiscal year and an audit report prepared, and will furnish the FmHA, without request, a copy of each audit . . .”

The Village failed to credit the interest earned by the Sanitary Sewerage System Revenue Fund, the Sanitary Sewerage System Debt Service Fund, Sanitary Sewerage System Excess Fund, and the Sanitary Sewerage System Reserve Fund authorized in the ordinance as required.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect the recording of interest. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

	General Fund	Sewer Debt Retirement Fund	Sewer Debt Excess Fund	Sewer Debt Reserve Fund	Sewer Operating Fund
2002	(\$580)	\$179	\$79	\$322	
2001	(4,155)	438	263	1651	\$1803

Also, the Village is only being audited bi-annually and there is no evidence that a copy of such audit has been forwarded to the Farmers Home Administration.

The Village Council and/or Audit Committee should review Village Ordinance #84-19 to obtain a more thorough understanding of the requirements. Procedures should then be implemented by the Village Council and/or Audit Committee to monitor compliance with the debt agreements.

FINDING NUMBER 2002-013

Noncompliance

Village of Alger Ordinance Establishing Rates and Charges for the Use and Service of the Municipal Sewage Works for the Village of Alger, County of Hardin, Ohio (88-02), states that the school shall pay \$79.38 per month for a debt service charge and \$0.28 per individual per calendar month for the user charge. **Village of Alger Ordinance which Amended Ordinance 88-02 and Establishing New Rates and Charges for Certain Use and Service of the Municipal Sewage Works for the Village of Alger, County of Hardin, Ohio (92-01)**, states that each residence (house, mobile home, apartment, ½ duplex, etc. and each business, church, public building, etc.) shall be charged \$11.75 per calendar month, of which \$7.35 is for the user charge and \$4.40 is for the debt service charge.

One metered customer was not charged \$7.35 for the sewer user charge, but charged \$11.60 for December 2000 and \$12.75 monthly for January 2001 to December 2001 for sewer user charge. This resulted in an overcharge of \$63.65 for 2001 and \$5.40 overcharge for 2002. The same metered customer was not charged \$4.40 for sewer debt retirement but charged \$37.50 from August 2001 to December 2001. This resulted in an overcharge of \$132.40 for 2001 and \$33.10 overcharge for 2002.

One metered customer with twenty-four units was charged the correct amount for sewer debt retirement (\$4.40 per unit) during 2001, but revenues were incorrectly posted to the water capital improvement fund. This resulted in an overstatement of revenues of \$1,267.20 in the Enterprise Water Capital Improvement Fund and understatement of revenues of \$1,267.20 in the Enterprise Sewer Debt Service fund for 2001.

One metered customer with thirty-six units was not charged \$4.40 per unit for sewer debt retirement from December 2000 through December 2001. The correct monthly charge for sewer debt retirement should have been \$158.40 (36 units times \$4.40). Instead the Village only charged \$37.50 monthly. As a result, the total undercharge for 2001 was \$1,450.80 and \$120.90 undercharge for 2002.

The school was not charged the correct amount for sewer user charge. The number of individuals at the school decreased in October 2000 and the Village did not decrease the sewer user charge to reflect the change which resulted in an overcharge of \$271.04 during 2001 and \$24.64 during 2002. Beginning in January 2002, the Village began charging the correct amount for sewer user charge but the revenues were posted to the sewer debt retirement fund. Beginning in September 2002, the school was vacant and should not have been charged the sewer user charge. This resulted in an overcharge of \$198.24. The Village collected the correct amount for the sewer debt charge but revenues were posted to the water capital improvement fund.

The Village Council and/or audit committee should review all sewer rate ordinances and current charges to help assure that each customer is being accurately charged. In addition, the Village Council and/or Audit Committee needs to monitor the recording of sewer revenues to help assure that receipts are recorded in the correct funds. The Board of Public Affairs should also periodically check the accuracy of the amounts billed in comparison to the Board's intentions per its approved ordinances in order to correct errors timely. The Village should discuss the billing errors with the customers and consider adjusting the accounts for billing errors during 2002 and 2001.

FINDING NUMBER 2002-014

Noncompliance

Village of Alger Ordinance Fixing Rates and Regulations Governing Water Service in the Corporate Limits of the Village of Alger and Also the Out of Town Service Rendered by the Alger Water Department in Accordance with the Board of Public Affairs (2000-16), states that a minimum current water bill of \$15.00 per month and a charge of \$3.25 for capital improvement per month for each separate family unit, whether in any one dwelling, house trailer or other building, will be charged. It also states that all businesses in the village shall pay a minimum current water bill of \$20.00 and an additional \$7.25 capital improvement. In addition, present services billed by meter shall be charged \$37.50 for basic meter and \$7.00 per thousand gallons of water used.

Four metered customers were not charged \$37.50 for basic meter but were instead charged \$15.00 for basic meter for December 2000 and January and February 2001, which resulted in an undercharge of \$270 for 2001. Also, one metered customer with thirty-six units was undercharged \$700 for basic water due to an incorrect meter reading being entered into the computer system.

The Village Council and/or Audit Committee should review all water rate ordinances and current charges to help assure that each customer is being accurately charged. In addition, the Village Council and/or Audit Committee needs to monitor the recording of water revenues to help assure that receipts are recorded in the correct funds. The Village should meet with these customers and consider billing for the actual amounts due during 2002 and 2001.

FINDING NUMBER 2002-015

Noncompliance

Village of Alger Ordinance Fixing Rates and Regulations Governing Water Service in the Corporate Limits of the Village of Alger and Also the Out of Town Service Rendered by the Alger Water Department in Accordance with the Board of Public Affairs (2000-16), states that a minimum current water bill of \$15.00 per month and a charge of \$3.25 for capital improvement per month for each separate family unit, whether in any one dwelling, house trailer or other building, will be charged. It also states that all businesses in the village shall pay a minimum current water bill of \$20.00 and an additional \$7.25 capital improvement. In addition, present services billed by meter shall be charged \$37.50 for basic meter and \$7.00 per thousand gallons of water used. **Village of Alger Ordinance which Amended Ordinance 2000-16 and Fixing Rates and Regulations Governing Water Service in the Corporate Limits of the Village of Alger and Also the Out of Town Service Rendered by the Alger Water Department in Accordance with the Board of Public Affairs (2001-11)**, effective June 1, 2001, states that a minimum current water bill of \$25.00 per month and a charge of \$3.25 for capital improvement per month for each separate family unit, whether in any one dwelling, house trailer or other building, will be charged. It also states that all businesses in the village shall pay a minimum current water bill of \$30.00 and an additional \$4.00 capital improvement. In addition, present services billed by meter shall be charged \$47.50 for basic meter, \$7.00 per thousand gallons of water used and \$7.25 per unit for water capital improvement.

One metered customer was not charged the correct amount for water capital improvement from December 2000 to July 2001. The Village, per ordinances 2000-16 and 2001-11, should have charged \$7.25 monthly for businesses that are metered. During December 2000, the village fiscal officer charged \$34.12 and \$37.50 for January to July 2001 monthly which resulted in an overcharge of \$238.62 for 2001.

FINDING NUMBER 2002-015
(Continued)

One metered customer was not charged the correct amount for water capital improvement from December 2000 to December 2001. The Village, per ordinance 2000-16, should have charged \$3.25 monthly for residents that are metered. From December 2000 to May 2001, the Village Fiscal Officer charged \$37.50 monthly when \$78.00 monthly should have been charged which resulted in \$243.00 undercharge for December 2000 to May 2001. The Village, per Ordinance 2001-11, should have charged \$7.25 monthly for each unit for metered customers. From June 2001 to December 2001, the Village Fiscal Officer charged \$37.50 monthly when \$174.00 monthly should have been charged which resulted in an undercharge of \$819.00 for 2001 and \$136.50 undercharge for 2002. Beginning in January 2002, the Village began to charge \$78.00 monthly when \$174.00 monthly should have been charged. This resulted in an undercharge of \$1,056.00 for 2002. The total undercharge for 2001 as a result of not properly charging for water capital improvement was \$1,062.00 and \$1,192.50 for 2002. Also the Village Fiscal Officer posted the water capital improvement collections to the sewer debt retirement fund.

One metered customer with thirty-six units was not charged the correct amount for water capital improvement from June 2001 to November 2002. The village per ordinance 2001-11 should be charging \$7.25 monthly for each unit for metered customers. From June 2001 to December 2002, the village clerk charged \$117.00 monthly when \$261.00 monthly should have been charged. This resulted in an undercharge of \$864.00 for 2001 and \$1,728.00 undercharge for 2002.

One metered customer was not charged the correct amount for water capital improvement from December 2000 to December 2001. The Village, per ordinances 2000-16 and 2001-11, should be charging \$7.25 monthly for businesses that are metered for water capital improvement. From December 2000 to December 2001, the village fiscal officer charged \$37.50 monthly when \$7.25 monthly should have been charged. This resulted in an overcharge of \$363.00 for 2001 and \$30.25 overcharge for 2002. Also, the village fiscal officer posted the water capital improvement collections from December 2000 to December 2001 to the sewer debt retirement fund. From January 2002 to November 2002, the village fiscal officer charged \$90.72 monthly when \$7.25 monthly should have been charged. This resulted in an overcharge of \$918.17. The Village Fiscal Officer posted the water capital improvement collections from January 2002 to November 2002 to the sewer operating fund.

The Village should review all water rate ordinances and current charges to help assure that each customer is being accurately charged. In addition, the Village needs to monitor the recording of water revenues to help assure that receipts are recorded in the correct funds. The Board of Public Affairs should also periodically compare amounts billed to the Ordinances in order to correct errors in a timely manner. The Village should consider meeting with customers who were not billed correctly and then adjust their accounts for 2002 and 2001.

FINDING NUMBER 2002-016

Noncompliance

Village of Alger Ordinance Establishing the Rules, Regulations and Conditions of Service for the Village of Alger, County of Hardin, Ohio, Municipal Sewage System (82-13A), states that the owner of any house, building, or other structure used for human occupancy, employment, recreation or other purposes situated within the municipality and located on any lot or parcel of land abutting any street, alley or right of way in which there is now located or may in the future be located a public sanitary sewer of the municipality, is hereby required at his expense to install suitable toilet facilities therein. Also within a reasonable time, after a public sewer becomes available to a property served by a sewage disposal system as provided in section 2-D, a direct connection shall be made to the public sanitary sewer in compliance with this ordinance.

**FINDING NUMBER 2002-016
(Continued)**

Village of Alger Ordinance Establishing Rates and Charges for the Use and Service of the Municipal Sewer Works for the Village of Alger, County of Hardin, Ohio (88-02), states that all 8" laterals installed at the time of construction and/or paid by April 15, 1988, would be \$750.00. Anything paid after that time will be \$1,150.00.

One business opened in May of 2001 and never hooked up to the sewer as required by Ordinance 82-13A. Also, they were never charged the \$1,150.00 as required by Ordinance 88-02.

The Village Council and/or Audit Committee and/or Board of Public Affairs should follow up on all new ownerships of property which would fall under the guidelines of the aforementioned ordinances to determine whether all applicable revenue has been collected. The Village should meet the customers who were not billed correctly and consider adjusting their accounts for 2002 and 2001.

FINDING NUMBER 2002-017

Noncompliance

Ordinance 2001-8 states that the Townman's wages are to be paid 66% from the Street Fund, 17% from the Water Fund, and 17% from the Sewer Fund. During 2001, wages for the Townman in the amount of \$107 were paid from the General Fund instead of the Sewer Fund.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following net effect upon the respective fund type balances:

	General Fund	Sewer Fund
2001	\$107	(\$107)

The Village Council and/or Audit Committee should implement review procedures to monitor the posting of expenditures to the accounting system.

FINDING NUMBER 2002-018

Ohio Admin. Code Sec. 117-2-03(A) states pursuant to Ohio Revised Code Section 117.38, all local public offices must file an annual financial report. Each local public office shall prepare two copies of the report. The original shall be filed with the Auditor of State and the copy shall be retained by the fiscal officer of the local public office. Such reports shall be filed either in paper form or electronically in a manner and format prescribed by the Auditor of State.

The annual financial statements filed for 2002 and 2001 were not in the prescribed format. The financial statements filed were at the detailed revenue and expenditure level and did not present financial activity at the combined fund type level.

Village Council and/or the Audit Committee should monitor preparation and filing of the annual financial statements.

FINDING NUMBER 2002-019

Reportable Condition / Material Weakness

Monthly Bank Reconciliations

Monthly bank-to-book reconciliations should be prepared by the Fiscal Officer, and reviewed and approved by Council. The Fiscal Officer did not reconcile the bank balances to cash fund balances during 2002 or 2001. The Fiscal Officer's failure to prepare monthly bank reconciliations, and Council's failure to monitor this process, resulted in the mismanagement of Village funds, the overspending of individual accounts, and errors occurring and not being detected in a timely manner.

To strengthen internal accounting controls, and to provide management with reasonable assurance that all procedures are functioning properly, the following should be considered:

- The bank-to-book reconciliation should be prepared by the Fiscal Officer and presented to Council each month. Council should initial the reconciliation to indicate review. The reconciled bank balance should be compared with the cashbook balance to ensure the amounts correspond; and the balance of the cashbook should be reviewed to ensure that all active and invested money under the control of the Village is included;
- Monthly totals in the cashbook should be agreed to the monthly totals in the receipt and expenditure journals as part of reconciling the bank activity. Supporting documentation for revenue received (i.e. warrant stubs, county auditor settlement sheets) should be attached to the computer generated pay-in receipt;
- The investment ledger should be used to obtain an accurate investment total used on the monthly bank-to-book reconciliation, and the purchase and redemption of an investment should not be reported as a receipt and disbursement;
- Voided checks should be entered into the cashbook and a monthly check register should be printed and retained; and
- All petty cash and change funds need to be included in the monthly bank to book reconciliation, and they should be reconciled and replenished on a periodic basis;

The Village's Council and/or Audit Committee should develop procedures to periodically review the accuracy of the monthly bank reconciliations, and these reconciliations should also be presented to Council for review and approval. Evidence of Council's and/or the Audit Committee's review procedures should be maintained and Council's review and approval should be documented in the Village minutes.

FINDING NUMBER 2002-020

Reportable Condition / Material Weakness

Review of Monthly Reports by Council

Management and elected officials should review and approve monthly budget versus actual revenue and expenditures reports and monthly fund balance reports. Although Council was receiving various monthly reports, due to the fact that the books were not reconciled to the bank balances, the information was not adequate to allow Council to make sound financial decisions. The lack of a review of monthly reports inhibits Council's ability to monitor the financial activity of the Village and resulted in deficit spending in several of the Village's funds throughout the audit period.

**FINDING NUMBER 2002-020
(Continued)**

Review of Monthly Reports by Council (Continued)

To improve the monitoring of financial activity, the Village Fiscal Officer should provide the Village Council and/or the Audit Committee with accurate monthly budget versus actual and fund balance reports that are generated from Village's accounting software system. The review and approval of these reports should be documented in the minutes and/or on the actual documents.

FINDING NUMBER 2002-021

REPORTABLE CONDITION / MATERIAL WEAKNESS

Internal Controls over the Recording of Receipts and Expenditures

To help assure that completeness and accuracy of recorded receipts and expenditures, and to help prevent errors and/or irregularities, an entity's receipts and deposits should have documentation, such as: a duplicate receipt that supports the amount of the receipt, the source, and the reason for the payment; and all checks should include the date that they were issued. During 2002 and 2001, the Village received Bureau of Workers Compensation refunds, donations, proceeds from the sale of assets, rental income, and other miscellaneous revenue for which adequate supporting documentation was not maintained; and checks were not always dated. These weaknesses impact the Village's ability to review financial information and detect errors, along with increasing the risk that errors and irregularities could occur and not be detected in a timely manner. In addition, these weaknesses impacted the Village Council's ability to detect errors and/or irregularities which may have contributed to the violations of various Ohio Revised Code laws and Village Ordinances.

The Village's Fiscal Officer should maintain supporting documentation for all receipts and no checks should be issued that have not been dated.

The Village Council and/or Audit Committee should periodically review accounting records and issued checks to help assure that these receipt and expenditure weaknesses have been corrected.

**VILLAGE OF ALGER
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30233-001	ORC Sec. 731.13 - Finding For Recovery Repaid During Audit	Yes	
2000-30233-002	ORC Sec. 733.28 and 733.43 - Village Clerk/Treasurer failed to keep the Village books	No	Not Corrected. Repeat as Finding Number 2002-004
2000-30233-003	ORC Sec. 135.21 and 5705.10 – Improper allocation of Interest	No	Not Corrected. Repeat as Finding Number 2002-005
2000-30233-004	ORC Sec. 5705.10 - Incorrect revenue postings	No	Not Corrected. Repeat as Finding Number 2002-006
2000-30233-005	ORC Sec. 5705.10 - Negative fund balances	No	Not Corrected. Repeat as Finding Number 2002-007
2000-30233-006	ORC Sec. 5705.36 - Timely completion and filing of certificate of available resources	No	Not Corrected. Repeat as Finding Number 2002-008
2000-30233-007	ORC Sec. 5705.36 – Failure to obtain amended certificates	No	Not Corrected. Repeat as Finding Number 2002-008
2000-30233-008	ORC Sec. 5705.39 - Appropriations In Excess of Estimated Resources	N/A	The Village did not legally adopt appropriations. See Finding Number 2002-009
2000-30233-009	ORC Sec. 5705.40 - Council approval of appropriation amendments	N/A	The Village did not legally adopt appropriations. See Finding Number 2002-009
2000-30233-010	ORC Sec. 5705.41 (B) - Expenditures exceeding appropriations	No	Not Corrected. Repeat as Finding Number 2002-009

Village of Alger
Hardin County
Schedule of Prior Audit Findings
Page 2

2000-30233-011	ORC Sec. 5705.41 (D) - Prior certification of expenditures	No	Not Corrected. Repeat as Finding Number 2002-010
2000-30233-012	Village Ordinance (84-18) - Sanitary sewerage system construction bond requirements	No	Not Corrected. Repeat as Finding Number 2002-011
2000-30233-013	Village Ordinance (84-19) - First mortgage revenue bond requirements	No	Not Corrected. Repeat as Finding Number 2002-012
2000-30233-014	Village Ordinance (88-02) - Improper sewer rates charged	No	Not Corrected. Repeat as Finding Number 2002-013
2000-30233-015	Village Ordinances (94-03 and 2000-8) - Improper water rates charged	N/A	This ordinance was not applicable during the period under audit
2000-30233-016	ORC Sec. 117.38 - Filing of annual financial report	Yes	Repeated as Finding Number 2002-018 in combination with Ohio Admin. Code Sec. 117-2-03(A)
2000-30233-017	Reportable Condition - Regarding clarity of Village payroll ordinances	Yes	
2000-30233-018	Reportable Condition - Regarding support for expenditures and evidence of approval for expenditures	Yes	
2000-30233-019	Reportable Condition - Regarding maintaining adequate money for each fund in the active deposits	No	Not Corrected for 2001. Repeat as Management Letter Comment
2000-30233-020	Reportable Condition / Material Weakness - Regarding monthly bank reconciliations	No	Not Corrected. Repeat as Finding Number 2002-019
2000-30233-021	Reportable Condition / Material Weakness - Regarding monitoring of budgeted versus actual activity	No	Not Corrected. Repeat as Finding Number 2002-020



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VILLAGE OF ALGER

HARDIN 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 6, 2004**