

***VILLAGE OF ALGER  
HARDIN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003***

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





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Alger  
207 Angle Street  
Alger, Ohio 45812

We have reviewed the *Report of Independent Accountants* of the Village of Alger, Hardin County, 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 Alger is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA  
Auditor of State

March 26, 2007

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

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

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Alger  
Hardin County  
207Angle Street  
Alger, Ohio 45812

To the Village Council:

We have audited the accompanying financial statements of the Village of Alger, Hardin 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 Alger, Hardin 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 Village is experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 9.

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 December 31, 2006, 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.***

December 31, 2006

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

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 53,672	\$ -	\$ 53,672
Intergovernmental	21,521	41,086	62,607
Special Assessments	-	9,296	9,296
Fines, Licenses, and Permits	550	-	550
Earnings on Investments	1,263	-	1,263
Miscellaneous	5,076	4,732	9,808
<b>Total Receipts</b>	<b>82,082</b>	<b>55,114</b>	<b>137,196</b>
<b>Disbursements:</b>			
Security of Persons & Property	9,822	11,776	21,598
Public Health Services	1,574	-	1,574
Leisure Time Activities	5,606	-	5,606
Transportation	-	35,452	35,452
General Government	74,236	-	74,236
<b>Total Disbursements</b>	<b>91,238</b>	<b>47,228</b>	<b>138,466</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(9,156)</b>	<b>7,886</b>	<b>(1,270)</b>
<b>Fund Cash Balance, January 1, 2004</b>	<b>(40,029)</b>	<b>2,998</b>	<b>(37,031)</b>
<b>Fund Cash Balance, December 31, 2004</b>	<b>\$ (49,185)</b>	<b>\$ 10,884</b>	<b>\$ (38,301)</b>

See accompanying Notes to the Financial Statements.



**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
Proprietary Fund Types  
For the Year Ended December 31, 2004**

	<b>Enterprise</b>
<b>Receipts:</b>	
<b>Charges for Services</b>	<b>\$ 266,995</b>
<b>Total Receipts</b>	<b>266,995</b>
<b>Disbursements:</b>	
Personal Services	46,238
Contractual Services	86,080
Material and Supplies	3,152
Capital Outlay	109,693
<b>Total Disbursements</b>	<b>245,163</b>
<b>Excess Receipts Over/(Under) Disbursements</b>	<b>21,832</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Nonoperating Revenue	10,615
Loan Proceeds	6,537
Debt Service	
Principal	(32,248)
Interest and Fiscal Charges	(29,760)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>(44,856)</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(23,024)</b>
<b>Fund Cash Balance, January 1, 2004</b>	<b>256,512</b>
<b>Fund Cash Balance, December 31, 2004</b>	<b>\$ 233,488</b>

See accompanying Notes to the Financial Statements.

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

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 58,473	\$ -	\$ 58,473
Intergovernmental	25,551	33,173	58,724
Fines, Licenses, and Permits	1,250	-	1,250
Earnings on Investments	1,854	-	1,854
Miscellaneous	4,129	303	4,432
<b>Total Receipts</b>	<b>91,257</b>	<b>33,476</b>	<b>124,733</b>
<b>Disbursements:</b>			
Security of Persons & Property	26,456	8,919	35,375
Leisure Time Activities	2,925	-	2,925
Transportation	-	29,141	29,141
General Government	61,504	-	61,504
Capital Outlay	4,026	-	4,026
<b>Total Disbursements</b>	<b>94,911</b>	<b>38,060</b>	<b>132,971</b>
<b>Total Receipts Over/(Under)</b>			
Disbursements	(3,654)	(4,584)	(8,238)
<b>Fund Cash Balance, January 1, 2003</b>	<b>(36,375)</b>	<b>7,582</b>	<b>(28,793)</b>
<b>Fund Cash Balance, December 31, 2003</b>	<b>\$ (40,029)</b>	<b>\$ 2,998</b>	<b>\$ (37,031)</b>

See accompanying Notes to the Financial Statements.

**VILLAGE OF ALGER**  
**HARDIN COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**Proprietary Fund Types**  
**For the Year Ended December 31, 2003**

	<b>Enterprise</b>
<b>Receipts:</b>	
Charges for Services	\$ 220,289
Special Assessments	6,153
Miscellaneous	85
<b>Total Receipts</b>	<b>226,527</b>
<b>Disbursements:</b>	
Personal Services	47,871
Contractual Services	49,868
Material and Supplies	3,061
Capital Outlay	24,423
<b>Total Disbursements</b>	<b>125,223</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>101,304</b>
<b>Nonoperating Receipts (Disbursements):</b>	
Debt Service	
Principal	(47,541)
Interest and Fiscal Charges	(43,172)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>(90,713)</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>10,591</b>
<b>Fund Cash Balance, January 1, 2003</b>	<b>245,921</b>
<b>Fund Cash Balance, December 31, 2003</b>	<b>\$ 256,512</b>

See accompanying Notes to the Financial Statements.

**VILLAGE OF ALGER**  
**HARDIN 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 Alger, Hardin 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 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 services (security of persons and property).

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 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.)

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.

**VILLAGE OF ALGER**  
**HARDIN 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

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 specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an 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 significant Special Revenue funds:

- Street Construction Maintenance and Repair Fund- Receives Motor vehicle and gasoline taxes for constructing, maintaining and repairing Village roads.
- Street Light Assessment Fund- Receives assessments from property owners to pay for certain Village street lighting.

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.

**VILLAGE OF ALGER**  
**HARDIN 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)

The Village has the following significant Enterprise Funds:

- Water Operating Fund- Receives user fees and provides for the operations of the water department.
- Water Capital Fund- Receives loans, grants, and user fees for the construction of a water plant.
- Sewer Operating Fund- Receives user fees and provides for the operation of the sewer system.
- Sewer Debt Fund- Receives sewer surcharges for repayment of loans incurred in planning, construction, and operation of the Village's sewer system.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village Council, 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.

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 estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**VILLAGE OF ALGER**  
**HARDIN 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)

On or about January 1, the Fiscal Officer sends the county auditor a certificate, 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 revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted 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.

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 object level.

Unencumbered appropriations lapse at year-end.

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.

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

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 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>2004</u>	<u>2003</u>
Demand Deposits	\$(3,417)	\$ 22,002
Certificates of Deposit	<u>198,604</u>	<u>197,479</u>
Total	<u>\$195,187</u>	<u>\$219,481</u>

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 TAXES

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 2004.

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.



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

3. PROPERTY TAXES - Continued

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 ACTIVITY

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>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General Fund	\$ 99,572	\$ 82,082	\$ (17,490)
Special Revenue Funds	68,290	55,114	(13,176)
Enterprise Funds	255,000	284,147	29,147

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund:</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 85,436	\$ 91,238	\$ (5,802)
Special Revenue Funds	73,772	47,228	26,544
Enterprise Funds	527,193	307,171	220,022

<u>2003 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General Fund	\$ 93,106	\$ 91,257	\$ (1,849)
Special Revenue Funds	57,000	33,476	(23,524)
Enterprise Funds	223,500	226,527	3,027

<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund:</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General Fund	\$ 101,254	\$ 94,911	\$ 6,343
Special Revenue Funds	75,263	38,060	37,203
Enterprise Funds	462,623	215,936	246,687

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

4. BUDGETARY ACTIVITY – Continued

The Village was in violation of Ohio Revised Code Section 5705.41(B) which requires expenditures not exceed appropriations, Ohio Revised Code Section 5705.10 which requires money paid into a fund be only used for the purpose for which the fund was established, Ohio Revised Code Section 5705.36 which requires an amended certificate of estimated resources be obtained whenever the estimated revenues will be less or greater than the original estimate, and Ohio Revised Code Section 5705.39 which requires that appropriations not exceed estimated resources, Ohio Revised Code Section 5705.41(D) which requires the Fiscal Officer to certify the availability of funds prior to making an expenditure.

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, 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 prescribed by the Ohio Revised Code. 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.

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 2744 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

6. RISK MANAGEMENT – Continued

The Plan’s audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and Member’s Equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>2,748,639</u>	<u>2,227,808</u>
Retained Earnings	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

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

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

7. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewer Construction Bonds	\$ 82,000	5.00%
Sanitary Sewerage First Mortgage Revenue Bonds	251,000	5.00%
Ohio Water Development Authority Loan #3627	1,230,358	2.00%
Ohio Public Works Commission	<u>71,906</u>	0.00%
Total	<u>\$1,635,264</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.

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

7. 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 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 \$419,560; 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 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 was 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, 2004, the Village's outstanding balance on this loan is \$1,230,358 which consists of the total approved loan plus capitalized interest during the construction period. 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 479,896 with a 0% interest rate, for water treatment improvements. The first payment was due on July 1, 2003, payable from water user fees. Principal payments are due annually with the final payment being due in 2023.

**VILLAGE OF ALGER  
HARDIN 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>	Sanitary Sewer Construction Bonds	Sanitary Sewer First Mortgage Bonds	OWDA #3627	OPWC
2005	\$ 9,100	\$ 20,550	\$57,058	\$ 3,995
2006	8,850	20,150	57,058	3,995
2007	7,600	19,750	57,058	3,995
2008	7,400	20,350	57,058	3,995
2009	7,200	19,900	57,058	3,995
2010-2014	33,000	101,100	285,098	19,975
2015-2019	28,000	100,300	285,098	19,975
2020-2024	23,000	100,400	285,098	11,981
2025-2029	-	-	285,098	-
2030-2034	-	-	199,701	-
Total	<u>\$124,150</u>	<u>\$402,500</u>	<u>\$1,625,383</u>	<u>\$71,906</u>

8. INCOME TAX

The Village levies an income tax of 1.00 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.

9. NEGATIVE FUND BALANCES/FISCAL EMERGENCY

The Village had negative fund balances at December 31, 2004 in the General Fund, the Street Construction, Maintenance and Repair Fund, the Street Light Assessment Fund, the Water Operating Fund, and the Sewer Operating Fund in the amount of \$49,185, \$20,966, \$14,727, \$35,867, and \$64,869, respectively. As a result, the Village requested, and was placed in Fiscal Emergency, in August of 2005. Management expects to exit Fiscal Emergency in 2008. As of the date of this report, all funds had a positive cash balance, other than the Street Construction, Maintenance and Repair Fund.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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***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 Alger  
Hardin County  
207 Angle Street  
Alger, Ohio 45812

To the Village Council:

We have audited the financial statements of the Village of Alger, Hardin County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 31, 2006, 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 and are experiencing financial difficulties. 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of 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. A reportable condition is described in the accompanying schedule of audit findings as item 2004-ALG-05.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Village in a separate letter dated December 31, 2006.

## 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of audit findings as items 2004-ALG-01 thru 2004-ALG-06.

We also noted other matters regarding compliance that we have reported to management of the Village in a separate letter dated December 31, 2006.

This report is intended solely for the information and use of the audit committee, 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.***

December 31, 2006

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2004-ALG-01-Noncompliance Citation**

Ohio Revised 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 of another fund.

The following funds had negative fund balances as of December 31, 2004 and 2003:

	<b>2004</b>	<b>2003</b>
General Fund	\$(49,185)	\$(40,029)
Special-SCMR	(20,966)	(28,234)
Special-Street Lighting	(14,727)	(12,242)
Enterprise-Water Operating	(35,867)	(25,557)
Enterprise-Sewer Operating	(64,869)	(39,615)

Management indicated that this situation is being corrected and all funds will have positive fund balances by 2008. Only one fund has a negative cash balance as of the report date.

**Finding Number 2004-ALG-02-Noncompliance Citation**

Ohio Revised 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 appropriation or supplemental appropriation.



**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2004-ALG-02-Noncompliance Citation – Continued**

The following funds had actual revenues which were (less) or greater than budgeted revenues in the following amounts at December 31:

	<b>2004</b>	<b>2003</b>
General Fund	\$(17,490)	\$(1,849)
Special-SCMR	(6,858)	(16,875)
Special-Street Lighting	(6,559)	(6,386)
Enterprise-Water Operating	16,176	(8,725)
Enterprise-Sanitary Sewer	(64,869)	(12,732)

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

Management indicated that amended certificates are now being requested.

**Finding Number 2004-ALG-03-Noncompliance Citation**

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances:

<u>2004</u>			
<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$59,543	\$85,436	\$(25,893)
Special-SCMR	\$12,459	\$24,000	\$(11,541)
Enterprise-Water Operating	\$18,443	\$39,892	\$(21,449)
Enterprise-Sewer Operating	\$385	\$31,799	\$(31,414)

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2004-ALG-03-Noncompliance Citation - Continued**

2003

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$56,731	\$101,254	\$(44,523)
Special-SCMR	\$17,091	\$28,235	\$(11,444)
Special-Street Light	\$3,063	\$10,923	\$(7,860)
Enterprise-Water Operating	\$39,943	\$51,110	\$(11,167)
Enterprise-Sewer Operating	\$26,852	\$50,480	\$(23,628)
Enterprise-Water Capital	\$13,832	\$24,770	\$(10,938)

Management indicated that this condition has been corrected.

**Finding Number 2004-ALG-04-Noncompliance Citation**

**Ohio Revised Code Section 5705.41 (B)** states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. The following funds had total expenditures plus encumbrances in excess of appropriations:

2004

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund	\$85,436	\$91,238	\$(5,802)
Special-SCMR	\$24,000	\$26,567	\$(2,567)
Special-Street Light	\$2,874	\$11,776	\$(8,902)
Enterprise-Water Operating	\$39,892	\$70,384	\$(30,492)
Enterprise-Sewer	\$31,799	\$65,087	\$(33,288)

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2004-ALG-04-Noncompliance Citation – Continued**

<u>2003</u>			
<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Enterprise-Water	\$52,788	\$55,426	\$(2,638)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed.

We recommend Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Council and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management agrees and will monitor expenditures compared to appropriations.

**Finding Number 2004-ALG-05-Noncompliance Citation and Material Weakness**

**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 2004 and 2003, the books did not accurately report the receipts and expenditures of the Village. This was primarily due to the bank accounts not being reconciled, therefore, certain transactions were not recorded.

In addition to misstating the financial statements and the reports presented to Council, these errors could also allow for fraud or misuse of Village funds.

We recommend that the Fiscal Officer perform monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month. Village Council should sign and date the bank reconciliations to indicate that they have been reviewed.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2004-ALG-05-Noncompliance Citation and Material Weakness**

Management indicated that the Village contracted with Local Government Services to perform the reconciliations and make adjustments to the books and that the reconciliations are now performed in-house monthly. Also the Village has implemented the Auditor of State's Uniform Accounting Network (UAN) system to account for the Village's financial activity.

**Finding Number 2004-ALG-06-Noncompliance Citation**

**Ohio Revised Code Section 5705.41 (D)**, requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

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

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2004-ALG-06-Noncompliance Citation - Continued**

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

The Village did not properly certify the availability of funds for 30 of the 60 non-payroll transactions tested for the audit period. However, we noted that this condition was corrected during 2004.

Management concurs with this citation and noted that the Fiscal Officer is currently performing the required certifications.

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	ORC 117.28-Finding for Recovery- Fiscal Officer overpaid \$398	Yes	Corrected-\$398 repaid.
2002-002	ORC 117.28 – Finding for Recovery- Townman overpaid \$114	Yes	Corrected-\$114 repaid.
2002-003	ORC 117.28 –Finding for Recovery-Police Officer overpaid \$215	No	No action taken on advice of Village Solicitor
2002-04	ORC 733.28/733.43- Books not properly maintained	Yes	Corrected
2002-05	ORC 135.21/5705.1- Interest not properly allocated	No	Partially corrected- Moved to Management Letter
2002-06	ORC 5705.10– Tax money deposited to wrong fund	Yes	Corrected
2002-07	ORC 5705.10-Negative fund balances	No	Repeated as Finding 2004-ALG-01
2002-08	ORC 5705.36 – Amended certificates of estimated resources not obtained	No	Repeated as Finding 2004-ALG-02
2002-09	ORC 5705.38/5705.41(B)- Appropriations not properly approved/expenditures exceeded appropriations	No	Repeated as Finding 2004-ALG-04
2002-10	ORC 5705.41(D) – Failure to certify funds	No	Repeated as Finding 2004-ALG-06

**VILLAGE OF ALGER  
HARDIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Years Ended December 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-11	Sewer Bonds paid from wrong fund	Yes	Corrected
2002-12	Interest earned on Sewer Bonds not credited to proper fund; Audit report not forwarded to FHA	No	Moved to Management Letter
2002-13	Certain sewer customers charged wrong rate	Yes	Corrected
2002-14	Certain water customers charged wrong rate	Yes	Corrected
2002-15	Certain water customers charged wrong rate for water capital improvement	Yes	Corrected
2002-16	One customer not hooked up to sewer line and not charged tap in fee	Yes	Corrected
2002-17	Townman paid from wrong fund	Yes	Corrected
2002-18	OAC 117-2-03(A)- Financial statements not in prescribed format	Yes	Corrected
2002-19	Material weakness-Bank reconciliations not prepared	No	Repeated as Finding 2004-ALG-05
2002-20	Material weakness-Council reviewing inaccurate reports	No	Repeated as Finding 2004-ALG-05; Also Management Letter Recommendation
2002-21	Material weakness-Lack of documentation for receipts and disbursements	Yes	Corrected







**Mary Taylor, CPA**  
Auditor of State

**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  
APRIL 5, 2007**