



**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 30, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF ALVORDTON
WILLIAMS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Alvordton
Williams County
305 South Anderson Avenue
P.O. Box 258
Alvordton, Ohio 43501-0258

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 26, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Alvordton
Williams County
305 South Anderson Avenue
P.O. Box 258
Alvordton, Ohio 43501-0258

To the Village Council:

We have audited the accompanying financial statements of the Village of Alvordton, Williams County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Alvornton, Williams County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The 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 April 26, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

April 26, 2007

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$2,683	\$1,205		\$3,888
Municipal Income Taxes	24,411			24,411
Intergovernmental Receipts	20,103	16,945	\$14,000	51,048
Fines, Licenses, and Permits	1,931			1,931
Earnings on Investments	319	112		431
Miscellaneous	41			41
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	49,488	18,262	14,000	81,750
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Public Health Services	2,506			2,506
Leisure Time Activities	1,424			1,424
Transportation		1,079		1,079
General Government	31,086	14,989		46,075
Capital Outlay	1,621		14,000	15,621
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,637	16,068	\$14,000	66,705
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	12,851	2,194		15,045
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	50,187	21,231		71,418
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$63,038	\$23,425		\$86,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$125			\$125
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$2,744	\$1,190	\$3,934
Municipal Income Taxes	19,844		19,844
Intergovernmental Receipts	17,656	10,393	28,049
Fines, Licenses, and Permits	725		725
Earnings on Investments	287	86	373
Miscellaneous		450	450
	<u>41,256</u>	<u>12,119</u>	<u>53,375</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Public Health Services	879		879
General Government	31,184	10,042	41,226
Capital Outlay	3,900		3,900
	<u>35,963</u>	<u>10,042</u>	<u>46,005</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	<u>5,293</u>	<u>2,077</u>	<u>7,370</u>
Fund Cash Balances, January 1	<u>44,894</u>	<u>19,154</u>	<u>64,048</u>
Fund Cash Balances, December 31	<u>\$50,187</u>	<u>\$21,231</u>	<u>\$71,418</u>

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

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Alvordton, Williams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services and road work.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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.

Permissive Motor Vehicle License Tax Fund -This fund receives motor vehicle tax money from the State for the constructing, maintaining, and repairing of Village streets.

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Community Development Block Grant (CDBG) Fund - This fund received Community Development Block Grant federal funds to purchase new playground equipment.

D. 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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

The Village maintains cash for all funds used. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2006	2005
Demand deposits	\$86,463	\$71,418

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,808	\$49,488	\$7,680
Special Revenue	16,372	18,262	1,890
Capital Projects		14,000	14,000
Total	\$58,180	\$81,750	\$23,570

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,000	\$36,762	\$8,238
Special Revenue	20,728	16,068	4,660
Capital Projects		14,000	(14,000)
Total	\$65,728	\$66,830	(\$1,102)

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,226	\$41,256	(\$2,970)
Special Revenue	13,198	12,119	(1,079)
Total	\$57,424	\$53,375	(\$4,049)

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,422	\$35,963	\$9,459
Special Revenue	17,329	10,042	7,287
Total	\$62,751	\$46,005	\$16,746

Contrary to Ohio law, Community Development Block Grant (CDBG) funds (\$14,000) disbursed directly to vendors on behalf of the Village were not recorded on the financial statements.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEM

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0 percent and 8.5 percent, respectively, of their wages. The Village contributed an amount equal to 13.70 percent (2006) and 13.55 percent (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village is uninsured for the following risks:

- Comprehensive property and general liability;
- Crime;
- Equipment;
- Public Officials' Errors and Omissions; and
- Vehicles

8. SUBSEQUENT EVENTS

The Village is placing a referendum on the August 2007 ballot to disband the Village. If it passes, the Village will merge with Millcreek Township.

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Mary Taylor, CPA

Auditor of State

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

Village of Alvordton
Williams County
305 South Anderson Avenue
P.O. Box 258
Alvordton, Ohio 43501-0258

To the Village Council:

We have audited the financial statements of the Village of Alvordton, Williams County (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 26, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We considered the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-003 and 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding 2006-004 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 26, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 26, 2007.

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



Mary Taylor, CPA
Auditor of State

April 26, 2007

**VILLAGE OF ALVORDTON
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a government entity expends no more that it expects to receive in revenue. In order to accomplish this, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded (R.C.5705.42). Thus, a mechanism is still required to account for receipts and expenditures. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation (R.C.5705.40). An original appropriation measure must be passed by the taxing authority, and in any amendment of, or supplement to, that measure also requires legislative action (R.C. 5705.38).

Auditor of State Bulletin 2000-008 further requires that when an entity enters into an "on-behalf-of" program with another government whereby the entity is the beneficiary under the agreement, the cash value benefit of the program should be recorded as memorandum receipts and disbursements in the year the "on-behalf-of" payments are made.

In 2006, Community Development Block Grant monies, in the amounts of \$14,000, were expended directly to contractors on behalf of the Village. These monies were not recorded in the Village's financial statements.

The accompanying financial statements have been adjusted to reflect the "on-behalf-of" activity.

We recommend that the Village follow the guidelines of Auditor of State Bulletin 2000-008, which describes the proper accounting treatment for "on-behalf-of" programs and that the Village post all grant money received to the Village books.

Officials' Response

Management did not respond to this finding.

FINDING NUMBER 2006-002

Finding for Recovery Repaid under Audit

The Ohio Supreme Court has considered the extent of non-charter municipality's authority to provide, by ordinance, for the compensation of its employee where such an ordinance is at variance with a statute concerning the same project. *Northern Ohio Patrolmen's Benevolent Assoc. v. City of Parma*, 61 Ohio St. 2d 375 (1980). In short, the Court states that Ohio Constitution art. XVIII, § is a direct grant of power to all municipalities to exercise local self government, and a non-charter municipality may enact an ordinance governing the salary paid to its employees.

However, in Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code § 102.03 (D) prohibits members of a village council from enacting an ordinance granting an interim increase in compensation for current members of council.

The Village of Alfordton, in Resolution 2006-001, set forth the salary of Council members at \$40 per meeting. This was an increase from \$20 per meeting approved in 2005 (Resolution 2004-003). Pauline Munger, council member, began her term of office on January 1, 2004. For the above stated reasons, Councilwoman Munger was not eligible for the increase in compensation under Village of Alfordton, Resolution 2006-01.

In 2006, she received \$400 (10 meetings attended in 2006 at \$40 a meeting). She should have received \$200. This resulted in an overpayment to Councilwoman Munger in the amount of \$200.

In accordance with the facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended in hereby issued against Pauline Munger, Council Member, Beth Rediger, Fiscal Officer, and Auto-Owners (Mutual) Insurance Company, Mrs. Rediger's bonding company, jointly and severally, and in favor of the Village of Alfordton's General fund in the amount of two hundred dollars.

The finding was repaid under audit by Pauline Munger on April 27, 2007, as evidenced on receipt #40-2007 in the amount of \$200.

Officials' Response

Management did not respond to this finding.

FINDING NUMBER 2006-003

Significant Deficiency

Local Income Tax Records

The following items were noted during a review of local income tax records:

- Twenty (20%) percent of income tax returns tested did not have supporting documentation (i.e., W-2 or Schedule C).
- Seventeen (17%) percent of income tax returns tested were calculated incorrectly, by insignificant amounts, however; they were not detected by the Fiscal Officer.
- Fifteen (15%) percent of returns tested did not have interest and/or penalties assessed correctly for late filers and/or late payments.
- Twenty (20%) percent of income tax transactions were not properly updated to the Village's manual income tax subsidiary ledgers.

Village of Alfordton Resolution 3-1979, Ordinance 57-1979, and Ordinance 04-2004 sets forth the required documentation to be submitted with the annual tax return, the definition of income upon which the Village tax is to be levied, and the procedures for applying interest and penalties. The above deficiencies could result in loss of income tax revenues to the Village. To improve controls over income tax revenues, we recommend:

- The Fiscal Officer obtain supporting documentation to substantiate wage earnings.
- The Fiscal Officer recalculate all returns to ensure the correct amount is being remitted to the Village. Returns should be initialed as indication of review.

**FINDING NUMBER 2006-003
(Continued)**

- The Fiscal Officer assess the appropriate interest and penalties to those taxpayers that file income taxes late and/or do not remit income tax owed to the Village. The Fiscal Officer should postmark the date that the return was filed to verify timeliness of submission. In those instances where interest and/or penalties are waived, there should be documentation to support this waiver (i.e., Council approval).
- The Fiscal Officer should post all income tax transactions to the income tax subsidiary ledgers to ensure that all income tax is being properly accounted for.

Officials' Response

Management did not respond to this finding.

FINDING NUMBER 2006-004

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. In 2005 and 2006, permissive tax monies received from the County were misposted to the taxes line item instead of intergovernmental revenue line item in the Street Construction, State Highway, and Permissive tax funds (\$2,523 – 2005; \$7,296 – 2006). In addition, there were several expenditures in the General and Street Construction fund (i.e., electric utilities, park related expenditures) that were not posted to the proper line items (\$5,978 – 2005; \$5,854 – 2006).

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response

Management did not respond to this finding.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ALVORDTON

WILLIAMS 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
MAY 22, 2007