



Dave Yost • Auditor of State

**Village of Alger
Hardin County**

Fiscal Emergency Termination

Local Government Services

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Village of Alger, Hardin County

Fiscal Emergency Termination

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 Village of Alger Financial Forecast
 For the Years Ending December 31, 2011, through December 31, 2015

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Alger, the Auditor of State performed an analysis of the Village of Alger to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Alger no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Alger and its role in the operation of the Village of Alger is terminated as of December 20, 2011.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Joyce Harris, Mayor of the Village of Alger; Mike Miller, President Pro-Tempore of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Michael Bacon, Hardin County Auditor.

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DAVE YOST
Auditor of State

December 20, 2011

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Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Report on the Termination of the Alger Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Village of Alger, Hardin County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through eight of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page eight.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page twelve.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Alger, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Alger, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Alger (the Village) and issued a Report on Accounting Methods, dated July 25, 2008. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Fiscal Officer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented

The appropriations, by fund, for 2011 were established within the estimated resources. The Fiscal Officer presents to Village Council a comparison of appropriations to estimated resources for the funds affected by supplemental appropriations.

Auditor of State Comment from Report on Accounting Methods

The Village does not prepare a tax budget or tax ordinance as required by State statute. The County Budget Commission has waived the requirement for the filing of the tax budget; however, the requirement for the tax ordinance cannot be waived by the County Budget Commission. The Mayor is required to prepare a tax ordinance to determine the amount of the tax levy. This ordinance is not currently being completed.

Implemented

The Mayor prepares a tax ordinance to determine the amount of the tax levy. The tax ordinance for 2012 was approved by Village Council on June 20, 2011.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System (continued)

Accounting Journals and Ledgers

Auditor of State Comment from Report on Accounting Methods

A finance committee should be established to review all of the Village's financial activity to insure proper record keeping such as the purchasing and bill payment process, receipt analysis, utility billing reconciliation, and bank reconciliation.

Implemented

On September 15, 2008, the Mayor, as President of Council, appointed the Council members making up the finance committee.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

A finance committee should be established to review all of the Village's financial activity to insure proper record keeping, including the receipt and utility billing processes.

Implemented

On September 15, 2008, the Mayor, as President of Council, appointed the Council members making up the finance committee.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

All purchase orders are being certified by the Fiscal Officer; however, no one is approving the purchase orders. The Mayor should be approving all purchase orders.

Implemented

The Mayor approves all purchase orders.

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System (continued)

Implemented

Management is aware of the requirement that contracts over \$25,000 will include verification. To date, the Village has not entered into any contracts that require verification of any unresolved finding for recovery by use of the Auditor of State Findings for Recovery Database.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer is not maintaining adequate records and supporting documentation for the information provided to various reporting agencies, such as the IRS and OPERS. Copies of the Form 941's as well as the confirmation of deposits should be kept in a file by year. Copies of the Monthly Report of Retirement Contributions to OPERS and the corresponding confirmations of payment should also be kept in a file by year. Similar information must be maintained on employee withholdings for all other reporting agencies, such as the Ohio Department of Taxation for State income tax and school district income tax withholdings, Central Collection Agency for village income tax withholdings, etc.

Implemented

The Fiscal Officer has updated all applicable files and is maintaining adequate records and supporting documentation.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer is not maintaining adequate personnel files for employees. An individual file must be maintained for each employee including such information as their Form W-4, Form IT-4, and OPERS Personal History Record, as well as employee pay rate information.

Implemented

The Fiscal Officer has updated all applicable files and is maintaining adequate personnel files for all employees.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System (continued)

Implemented

The Village Council has adopted a policy for capital assets and the Village has an inventory of capital assets.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer does not attend annual training provided by the State Treasurer's Office for investments. The Fiscal Officer is exempt from this training if the Village has no investments and the Fiscal Officer files an exemption form. The form has not been filed.

Implemented

The Village's investments are limited to certificates of deposit. The Village filed the appropriate exemption form in March 2011.

Auditor of State Comment from Report on Accounting Methods

The Village does not have a current written, signed depository agreement. A depository agreement should cover items such as the maximum deposits to be held by the institution and collateral for those deposits.

Implemented

The Village entered into a depository agreement with U. S. Bank for the period August 24, 2007, through August 23, 2012.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

The Village has not established a records commission as required by Section 149.39 of the Revised Code.

Implemented

On September 15, 2008, the Mayor, as President of Council, appointed members to the records commission. The records commission last met in July 2011.

Auditor of State Comment from Report on Accounting Methods

The Village has not established rules for the retention and disposal of records as required by Section 149.39 of the Revised Code.

Implemented

The Village Council, by ordinance, adopted rules for records retention and disposal.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System (continued)

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2009, and 2010 audit identified a number of noncompliance issues and several recommendations.

The noncompliance issues noted in the audit included several transactions which were not recorded to the appropriate funds, not certifying the availability of funds prior to the purchase commitment, not charging metered water/sewer customers in accordance with the ordinances establishing rates, and overpayment of salaries to a number of elected and appointed officials.

The issues noted in the management letter accompanying the audit included not appropriately crediting interest to all funds required to receive an allocation of interest earnings in accordance with constitutional or legal requirements, not amending the certificate of estimated resources when estimated revenue was greater than or less than previous estimates, not ensuring that amendments to appropriations were properly recorded into the accounting system, appropriations in excess of estimated resources, a failure to withhold Medicare tax from several officials, council entering into executive sessions in conflict with Ohio's Open Meetings Act, and not furnishing annual reports to the Ohio Water Development Authority (OWDA) in accordance with the debt agreements.

During the period of this audit, the Village experienced a significant turnover of fiscal officers. There were three different fiscal officers employed by the Village during this time frame as well as two additional individuals who were contracted to assist during transition periods. Many of the issues of noncompliance can be attributed to the number of individuals involved in the fiscal officer's role during the period. The current fiscal officer began in May 2010. This has allowed the Village to work on remedying the above issues of noncompliance.

In addition, the management letter made several recommendations including the review and approval by Village Council of monthly financial reports, review and elimination of unsupported reconciling items, ensuring council minutes are signed by the appropriate individuals, establishing vacation and sick leave records, ensuring that taxable fringe benefits are reported on an employee's W-2, formal approval by Village Council of wage rates, and establishing policies related to vehicle and equipment use, travel reimbursement, and maintenance of personal information. The Village is working on addressing these recommendations.

Several of the noncompliance items and recommendations from the current audit were also addressed in the Report on Accounting Methods discussed earlier in this section of the report. The Village is also in the process of correcting some of the remaining issues identified in the audit. Verification of the resolution of these issues will be confirmed in the Village's next audit. The remaining issues are not issues that would prevent termination of the Financial Planning and Supervision Commission.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of September 30, 2011, is as follows:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
<u>Revenue Bonds</u>			
Sanitary Sewerage System Construction Bonds	11/26/84	5.00%	\$170,800
Sanitary Sewerage First Mortgage Revenue Bonds	11/26/84	5.00	345,000
<u>Loans Payable</u>			
OWDA Water Treatment Plant Improvements	2/28/02	2.00	1,282,507
OPWC WWTP and Water Distribution System Improvement	7/01/00	0.00	79,896
OWDA Waterline Replacement	10/14/04	2.00	260,399

We reviewed the outstanding indebtedness as of September 30, 2011. The Village had \$1,478,160 in outstanding debt at September 30, 2011, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at September 30, 2011.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions (continued)

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of September 30, 2011. We reviewed Council minutes, ordinances, resolutions, and had discussions with the Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and cancelled checks to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of September 30, 2011. All employees had been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Hardin County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2010 or 2011, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Hardin County Budget Commission indicated that the Commission had not taken any action for tax year 2010 or 2011 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of September 30, 2011.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions (continued)

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2010, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2010, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2010. There were no payables over thirty days past due.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2010, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2010.

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions (continued)

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its cash summary by fund for all funds as of December 31, 2010, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Schedule I

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2010

	Amounts at December 31, 2010
Bank Cash Balance	
US Bank	\$306,385
Certificates of Deposit	174,691
Total Bank Cash Balance	481,076
Less Reconciling Factors for	
Outstanding Checks	(27,893)
Total Treasury Balance	453,183
Positive Fund Balances	
General	60,049
Street	44,265
State Highway	21,710
State Permissive	27,926
Street Light	41,124
Water Operating	124,278
Water Improvement	36,121
Water Deposit	9,172
Sewer Operating	58,357
Sewer Assessment	7,296
Sewer Debt	3,325
Sewer Debt Reserve	19,560
Total Positive Fund Balances	453,183
Treasury Deficiency	\$0

Village of Alger, Hardin County

Report on the Termination of the Village of Alger
Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions (continued)

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2010. The treasury balance less the positive fund cash balances as of December 31, 2010, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**Village of Alger
Hardin County**

Financial Forecast

For the Years Ending December 31, 2011, through December 31, 2015

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Village of Alger, Ohio

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Dave Yost • Auditor of State

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

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the various funds of the Village of Alger, for the five years ending December 31, 2015. These statements are presented on the budget basis of accounting used by the Village of Alger rather than on generally accepted accounting principles. The Village of Alger's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Alger and the Financial Planning and Supervision Commission of Alger and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

December 20, 2011

Village of Alger, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted

General Fund

	2008 Actual	2009 Actual	2010 Actual
<u>Revenues</u>			
Property Taxes	\$14,900	\$16,500	\$14,700
Income Taxes	54,300	43,600	44,300
Intergovernmental	35,900	20,400	20,800
Fees, Licenses, and Permits	3,600	6,700	4,100
Fines and Forfeitures	100	200	0
Interest	7,300	4,100	700
Contributions and Donations	2,000	6,300	2,400
Other Revenues	1,600	500	500
Total Revenues	119,700	98,300	87,500
<u>Expenditures</u>			
Security of Persons and Property - Police			
Personal Services	500	1,900	0
Fringe Benefits	200	300	0
Contractual Services	2,900	2,000	0
Supplies and Materials	200	1,100	0
Total Security of Persons and Property - Police	3,800	5,300	0
Public Health Services			
Contractual Services	3,200	3,200	3,200
Leisure Time Activities - Park			
Contractual Services	1,600	2,000	2,800
Supplies and Materials	2,700	6,800	1,800
Total Leisure Time Activities - Park	4,300	8,800	4,600
General Government			
Mayor			
Personal Services	2,400	2,400	2,300
Fringe Benefits	500	400	400
Total Mayor	2,900	2,800	2,700

2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted	2015 Forecasted
\$16,000	\$16,000	\$16,000	\$16,500	\$16,500
45,200	46,100	47,100	48,000	48,900
18,500	14,300	10,100	10,200	10,300
4,100	4,100	4,100	4,100	4,100
0	0	0	0	0
300	300	300	300	300
1,000	1,000	1,000	1,000	1,000
500	500	500	500	500
<u>85,600</u>	<u>82,300</u>	<u>79,100</u>	<u>80,600</u>	<u>81,600</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
<u>3,200</u>	<u>3,300</u>	<u>3,300</u>	<u>3,400</u>	<u>3,500</u>
3,000	3,200	3,400	3,600	3,700
<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<u>4,000</u>	<u>4,200</u>	<u>4,400</u>	<u>4,600</u>	<u>4,700</u>
2,400	2,400	2,400	2,400	2,400
<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>

(continued)

Village of Alger, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted
(continued)

General Fund

	2008 Actual	2009 Actual	2010 Actual
General Government			
Council			
Personal Services	\$9,300	\$10,900	\$9,600
Fringe Benefits	2,300	1,300	1,000
Total Council	<u>11,600</u>	<u>12,200</u>	<u>10,600</u>
Fiscal Officer			
Personal Services	9,500	9,000	10,300
Fringe Benefits	1,900	1,500	1,700
Contractual Services	5,000	8,200	2,500
Supplies and Materials	400	300	200
Total Fiscal Officer	<u>16,800</u>	<u>19,000</u>	<u>14,700</u>
Lands/Buildings			
Contractual Services	21,000	14,900	16,600
Supplies and Materials	1,000	3,600	3,800
Total Lands/Buildings	<u>22,000</u>	<u>18,500</u>	<u>20,400</u>
Property Tax Collection Fees			
Contractual Services	400	400	600
Solicitor			
Personal Services	3,400	3,400	4,600
Fringe Benefits	700	1,000	900
Total Solicitor	<u>4,100</u>	<u>4,400</u>	<u>5,500</u>
Income Tax			
Contractual Services	3,700	5,000	3,100
Other General Government			
Personal Services	2,200	1,600	0
Fringe Benefits	800	300	0
Contractual Services	4,000	800	1,300
Supplies and Materials	1,900	0	200
Capital Outlay	12,000	6,800	500
Total Other General Government	<u>20,900</u>	<u>9,500</u>	<u>2,000</u>
Total Expenditures	<u>93,700</u>	<u>89,100</u>	<u>67,400</u>

2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted	2015 Forecasted
\$12,600	\$12,600	\$12,600	\$12,600	\$12,600
1,400	1,400	1,500	1,500	1,500
14,000	14,000	14,100	14,100	14,100
15,400	15,900	16,400	16,800	17,300
2,800	2,900	3,000	3,100	3,200
8,100	3,200	8,900	3,500	9,800
300	300	400	400	400
26,600	22,300	28,700	23,800	30,700
15,100	16,200	17,400	18,700	20,100
2,400	2,500	2,600	2,700	2,900
17,500	18,700	20,000	21,400	23,000
1,000	1,000	1,000	1,100	1,100
4,000	4,100	4,300	4,400	4,500
600	700	700	800	800
4,600	4,800	5,000	5,200	5,300
3,200	3,200	3,200	3,300	3,400
0	0	0	0	0
0	0	0	0	0
1,200	1,200	1,300	1,300	1,300
300	300	300	300	300
9,100	0	0	0	0
10,600	1,500	1,600	1,600	1,600
87,500	75,800	84,100	81,300	90,200

(continued)

Village of Alger, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted
(continued)

	General Fund		
	2008	2009	2010
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Excess of Revenues Over (Under) Expenditures	<u>26,000</u>	<u>9,200</u>	<u>20,100</u>
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets	1,000	0	0
Transfers Out	(4,500)	0	0
Other Financing Uses	<u>(23,100)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(26,600)</u>	<u>0</u>	<u>0</u>
Changes in Fund Balance	(600)	9,200	20,100
Fund Balance Beginning of Year	<u>31,400</u>	<u>30,800</u>	<u>40,000</u>
Fund Balance End of Year	<u><u>\$30,800</u></u>	<u><u>\$40,000</u></u>	<u><u>\$60,100</u></u>

See Summary of Significant Accounting Policies and Forecast Assumptions

<u>2011</u> <u>Forecasted</u>	<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>
<u>(1,900)</u>	<u>6,500</u>	<u>(5,000)</u>	<u>(700)</u>	<u>(8,600)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(1,900)</u>	<u>6,500</u>	<u>(5,000)</u>	<u>(700)</u>	<u>(8,600)</u>
<u>60,100</u>	<u>58,200</u>	<u>64,700</u>	<u>59,700</u>	<u>59,000</u>
<u>\$58,200</u>	<u>\$64,700</u>	<u>\$59,700</u>	<u>\$59,000</u>	<u>\$50,400</u>

Village of Alger, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted

Street Construction Fund

	2008 Actual	2009 Actual	2010 Actual
<u>Revenues</u>			
Intergovernmental	\$32,200	\$32,100	\$33,200
Interest	100	0	0
Other Revenues	100	0	400
Total Revenues	<u>32,400</u>	<u>32,100</u>	<u>33,600</u>
<u>Expenditures</u>			
Transportation			
Personal Services	11,000	12,900	11,200
Fringe Benefits	2,500	2,300	1,600
Contractual Services	0	2,500	1,900
Supplies and Materials	0	1,700	5,400
Capital Outlay	18,000	0	0
Total Expenditures	<u>31,500</u>	<u>19,400</u>	<u>20,100</u>
Excess of Revenues Over (Under) Expenditures	<u>900</u>	<u>12,700</u>	<u>13,500</u>
<u>Other Financing Sources</u>			
Sale of Capital Assets	3,500	0	0
Transfers In	4,500	0	0
Total Other Financing Sources	<u>8,000</u>	<u>0</u>	<u>0</u>
Changes in Fund Balance	8,900	12,700	13,500
Fund Balance Beginning of Year	<u>9,200</u>	<u>18,100</u>	<u>30,800</u>
Fund Balance End of Year	<u>\$18,100</u>	<u>\$30,800</u>	<u>\$44,300</u>

See Summary of Significant Accounting Policies and Forecast Assumptions

2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted	2015 Forecasted
\$33,200	\$33,200	\$33,200	\$33,200	\$33,200
100	100	100	100	100
0	0	0	0	0
33,300	33,300	33,300	33,300	33,300
13,300	13,700	14,100	14,600	15,000
2,200	2,300	2,400	2,500	2,500
1,500	1,600	1,600	1,700	1,700
8,800	9,200	9,700	10,200	10,700
0	8,500	0	0	0
25,800	35,300	27,800	29,000	29,900
7,500	(2,000)	5,500	4,300	3,400
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
7,500	(2,000)	5,500	4,300	3,400
44,300	51,800	49,800	55,300	59,600
\$51,800	\$49,800	\$55,300	\$59,600	\$63,000

Village of Alger, Hardin County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted

Street Light Fund

	2008 Actual	2009 Actual	2010 Actual
<u>Revenues</u>			
Special Assessments	\$25,500	\$18,500	\$18,700
<u>Expenditures</u>			
Street Lighting			
Contractual Services	11,600	12,100	13,300
Changes in Fund Balance	13,900	6,400	5,400
Fund Balance Beginning of Year	15,400	29,300	35,700
Fund Balance End of Year	\$29,300	\$35,700	\$41,100

See Summary of Significant Accounting Policies and Forecast Assumptions

<u>2011</u> <u>Forecasted</u>	<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>
\$18,700	\$18,700	\$18,700	\$18,700	\$18,700
<u>14,400</u>	<u>15,500</u>	<u>16,700</u>	<u>18,100</u>	<u>19,600</u>
4,300	3,200	2,000	600	(900)
<u>41,100</u>	<u>45,400</u>	<u>48,600</u>	<u>50,600</u>	<u>51,200</u>
<u>\$45,400</u>	<u>\$48,600</u>	<u>\$50,600</u>	<u>\$51,200</u>	<u>\$50,300</u>

Village of Alger, Hardin County
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted

Water Operating Fund

	2008 Actual	2009 Actual	2010 Actual
<u>Revenues</u>			
Charges for Services	\$184,000	\$147,100	\$135,600
Other Revenue	0	200	1,600
Total Revenues	<u>184,000</u>	<u>147,300</u>	<u>137,200</u>
<u>Expenses</u>			
Personal Services	26,200	26,100	33,600
Fringe Benefits	4,900	4,400	5,000
Contractual Services	51,000	29,300	47,900
Supplies and Materials	9,600	10,100	24,700
Other	0	0	100
Capital Outlay	6,700	0	0
Total Expenses	<u>98,400</u>	<u>69,900</u>	<u>111,300</u>
Operating Income	<u>85,600</u>	<u>77,400</u>	<u>25,900</u>
<u>Nonoperating Revenues (Expenses)</u>			
Sale of Capital Assets	1,200	0	0
Transfers Out	0	(73,000)	(112,300)
Total Nonoperating Revenues (Expenses)	<u>1,200</u>	<u>(73,000)</u>	<u>(112,300)</u>
Changes in Fund Balance	86,800	4,400	(86,400)
Fund Balance Beginning of Year	<u>119,500</u>	<u>206,300</u>	<u>210,700</u>
Fund Balance End of Year	<u>\$206,300</u>	<u>\$210,700</u>	<u>\$124,300</u>

See Summary of Significant Accounting Policies and Forecast Assumptions

2011 Forecasted	2012 Forecasted	2013 Forecasted	2014 Forecasted	2015 Forecasted
\$162,700	\$162,700	\$162,700	\$162,700	\$162,700
0	0	0	0	0
162,700	162,700	162,700	162,700	162,700
27,000	27,800	28,700	29,500	30,400
5,000	5,100	5,300	5,400	5,600
33,800	33,200	38,400	37,600	43,300
14,800	16,300	17,900	19,700	21,700
0	0	0	0	0
0	4,300	0	0	0
80,600	86,700	90,300	92,200	101,000
82,100	76,000	72,400	70,500	61,700
0	0	0	0	0
(76,200)	(76,200)	(76,200)	(76,200)	(76,200)
(76,200)	(76,200)	(76,200)	(76,200)	(76,200)
5,900	(200)	(3,800)	(5,700)	(14,500)
124,300	130,200	130,000	126,200	120,500
\$130,200	\$130,000	\$126,200	\$120,500	\$106,000

Village of Alger, Hardin County
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2008, Through 2010, Actual
and Ending December 31, 2011, Through 2015, Forecasted

Sewer Operating Fund

	2008 Actual	2009 Actual	2010 Actual
<u>Revenues</u>			
Charges for Services	\$85,800	\$110,200	\$135,600
<u>Expenses</u>			
Personal Services	21,200	21,000	22,800
Fringe Benefits	4,300	3,700	4,100
Contractual Services	25,300	27,500	41,200
Supplies and Materials	17,100	22,000	12,300
Capital Outlay	6,700	0	0
Total Expenses	74,600	74,200	80,400
Operating Income	11,200	36,000	55,200
<u>Nonoperating Revenues (Expenses)</u>			
Sale of Capital Assets	800	0	0
Transfers Out	(12,000)	(14,200)	(23,600)
Total Nonoperating Revenues (Expenses)	(11,200)	(14,200)	(23,600)
Changes in Fund Balance	0	21,800	31,600
Fund Balance Beginning of Year	4,900	4,900	26,700
Fund Balance End of Year	\$4,900	\$26,700	\$58,300

See Summary of Significant Accounting Policies and Forecast Assumptions

<u>2011</u> <u>Forecasted</u>	<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>
<u>\$108,400</u>	<u>\$108,400</u>	<u>\$108,400</u>	<u>\$108,400</u>	<u>\$108,400</u>
24,300	25,000	25,700	26,500	27,300
4,400	4,500	4,600	4,700	4,900
41,400	28,700	47,200	32,900	53,500
16,500	17,700	19,000	20,500	21,900
<u>0</u>	<u>4,300</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>86,600</u>	<u>80,200</u>	<u>96,500</u>	<u>84,600</u>	<u>107,600</u>
<u>21,800</u>	<u>28,200</u>	<u>11,900</u>	<u>23,800</u>	<u>800</u>
0	0	0	0	0
<u>(20,000)</u>	<u>(20,400)</u>	<u>(19,900)</u>	<u>(20,400)</u>	<u>(19,800)</u>
<u>(20,000)</u>	<u>(20,400)</u>	<u>(19,900)</u>	<u>(20,400)</u>	<u>(19,800)</u>
1,800	7,800	(8,000)	3,400	(19,000)
<u>58,300</u>	<u>60,100</u>	<u>67,900</u>	<u>59,900</u>	<u>63,300</u>
<u>\$60,100</u>	<u>\$67,900</u>	<u>\$59,900</u>	<u>\$63,300</u>	<u>\$44,300</u>

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2011, through 2015

Note 1 - The Village

The Village of Alger is located in north central Ohio in 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. Operating as a statutory village, Alger must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On August 9, 2005, the Auditor of State's Office declared the Village of Alger to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, President Pro Tempore of Village Council, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Alger provides general governmental services including street construction and maintenance, street lighting, water and sewer utilities, and park operations. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor and the Fiscal Officer. In 2009, the Village discontinued the operations of its police department.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of October 31, 2011, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction Fund - This fund accounts for financial resources (including gas taxes and motor vehicle license fees) that are restricted for the planning, constructing, improving, maintaining, and repairing of streets within the Village.

Street Light Fund - This fund accounts for proceeds from a three-mill levy restricted for street lighting.

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2011, through 2015

Note 2 - Nature of Presentation (continued)

Water Operating Fund - This fund accounts for the provision of water treatment and distribution services to residential and commercial users within the Village.

Sewer Operating Fund - This fund accounts for the provision of wastewater treatment services to residential and commercial users within the Village.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2011, through 2015

Note 3 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Village of Alger, Hardin County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2011, through 2015

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, and prior to 2011, tangible personal property taxes. The Village may request advances from the Hardin County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues. The Village uses property tax levies to finance General Fund activities.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2010 for taxes collected in 2011. The next triennial update will take place in 2013 for taxes collected in 2014 with the next reappraisal scheduled for 2016. The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

<u>Class of Property</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real Property				
Residential and Agriculture	\$5,309,910	\$5,304,790	\$5,547,230	\$5,534,170
Commercial and Industrial	939,150	936,610	918,460	918,460
Public Utility				
Personal Property	332,700	304,410	327,100	349,310
Tangible Personal Property	<u>26,370</u>	<u>4,430</u>	<u>0</u>	<u>0</u>
Total Assessed Value	<u>\$6,608,130</u>	<u>\$6,550,240</u>	<u>\$6,792,790</u>	<u>\$6,801,940</u>

The property tax revenues are generated from the inside millage receipted into the General Fund, with a total rate (per \$1,000 of assessed valuation) of \$2.60. All property taxes are receipted in the General Fund.

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Real property taxes decreased slightly in 2010. Real property taxes for 2011 have already been receipted by the Village. Property values are expected to remain the same until 2014, the update year, at which time a 3 percent increase is forecasted.

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2011, through 2015

Note 4 - General Revenue Assumptions - All Funds (continued)

Tangible Personal Property - Tangible personal property taxes have had a number of changes in the past several years. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by 2 percent if the total statewide collections of personal property taxes for the second preceding year exceeded the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by 2 percent per year until completely phased out, regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out, by 25 percent each year, tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes have been levied or collected since 2009 from general business taxpayers, except telephone companies whose last year to pay tangible personal property tax was 2010. The State of Ohio reimburses the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenues below).

B. Municipal Income Taxes

The Village levies a municipal income tax of 1 percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100 percent for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village, at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. Income tax revenues decreased in 2009 due to state and national economic conditions, however, began to rebound slightly in 2010. Income tax revenues are expected to increase approximately 2 percent each year based on an anticipated increase in business and individual earnings. Due to geographic limitations, no growth is expected in the Village.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village was fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased-out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2011, through 2015

Note 4 - General Revenue Assumptions - All Funds (continued)

In 2011, HB153 accelerates the phase-out of the tangible personal property tax reimbursements by two percentage points per year based on the entity's 2010 tax year reimbursements.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases general property tax receipts by an equal amount.

The State exempts the first \$10,000 in tangible personal property from taxation. In prior years, the State reimbursed the Village for the lost revenue. In 2004, the State began to phase-out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, HB153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions will be approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Fees, Licenses and Permits - Licenses and permits receipts represent liquor and beer permits, as well as cable franchise fees. Amounts collected for liquor and beer permits remain approximately the same annually. Cable franchise fees are 3 percent of gross receipts collected by the cable provider. No increase is anticipated in these revenues.

Fines and Forfeitures - Fines and forfeitures represent revenues received from court fines, which is very minimal; therefore, no amounts are being forecasted for this revenue source.

Interest - Interest receipts are expected to be minimal due to very low interest rates and a relatively static fund balance throughout the forecast period.

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2011, through 2015

Note 5 - Specific Fund Revenue Assumptions (continued)

Contribution and Donations - In 2009, the Village received donations for the purchase of playground equipment. Contributions and donations for 2011 are slightly less than prior years due to economic conditions. Given the unpredictability of this revenue source, amounts throughout the forecast period will be kept at 2011 levels.

Other Revenues - The Village rents a Village owned building for various events. These receipts have been and are expected to remain fairly consistent.

B. Street Construction Fund

Intergovernmental - Intergovernmental receipts consist of State gasoline taxes and State motor vehicle license tax fees. These taxes are collected by the State and disbursed to the Village based on several formulas. For the Village this revenue source has remained fairly constant and this is expected to continue due to limited growth expectations for the Village.

Interest - Interest receipts are expected to be minimal due to very low interest rates and a relatively static fund balance throughout the forecast period.

C. Street Light Fund

Special Assessments - The Village assesses property owners for the provision of street lighting within the Village. The assessment is made on a property owner's real estate tax bill and is currently \$3 per \$1,000 of assessed valuation. The Village makes this assessment annually. The Village does not anticipate any change to the assessment rate.

D. Water and Sewer Operating Funds

Charges for Services - The Village charges a flat rate to all but three utility customers. Utility receipts are currently distributed 60 percent to the Water Operating Fund and 40 percent to the Sewer Operating Fund based on Village ordinance. The remaining three customers are metered and billed based on water usage.

Projected collections are based upon the latest utility rate ordinance approved in 2011. There are no anticipated rate increases or changes in distribution anticipated. The forecasted amount is based upon the current number of customers and their respective rates.

Note 6 - Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the Village. The Village's employees are paid on a weekly basis. The Mayor, Village Council, and Board of Public Affairs are paid twice a year, in June and December. The Solicitor is paid monthly. Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

Village of Alger, Hardin County
Summary of Significant Accounting Policies and Forecast Assumptions
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Note 6 - Expenditure Assumptions - All Funds (continued)

The Village Council consists of six members with an annual salary of \$1,800, if in attendance at all regular meetings. The Board of Public Affairs consists of three members with an annual salary of \$1,200, if in attendance at all regular meetings. Village Council is paid from the General Fund and the Board of Public Affairs is paid 50 percent from the Water Operating Fund and 50 percent from the Sewer Operating Fund.

The Mayor's annual salary is \$2,400 and the Solicitor receives an annual salary of \$6,000 plus \$80 per hour for any services performed over two hours per month. The Mayor is paid from the General Fund and the Solicitor is paid 50 percent from the General Fund and 25 percent each from the Water and Sewer Operating Funds.

The Fiscal Officer is paid per hourly, averages thirty hours per week, and is paid from the General Fund.

The Water Clerk is paid hourly, averages thirty hours per week, and is paid equally from the Water and Sewer Operating funds.

The Village employs one full-time employee whose payroll is split between the General Fund, Street Construction Fund, State Highway Fund, and the Water and Sewer Operating Funds and one full-time employee is paid equally from the Water and Sewer Operating Funds.

The salaries and wages for all employees, except for elected officials, are anticipated to increase 3 percent per year. No increases are expected for the Mayor, Village Council, or the Board of Public Affairs within the forecast period.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension system, workers' compensation, social security, Medicare, vacation, and sick leave. The Village does not provide health care or any other insurance benefits to any employee.

All employees and/or elected officials, except five, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Village is required to contribute 14 percent (the maximum) of their annual salary. Five elected officials pay into social security.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

There are four individuals who earn vacation and sick leave, the Fiscal Officer, the Water Clerk, and two full-time employees. Employees are entitled to one to five weeks of vacation leave depending on length of service. Vacation must be used within the year it is earned. Employees earn sick leave at a rate of one and two-tenths days per month.

Village of Alger, Hardin County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2011, through 2015

Note 6 - Expenditure Assumptions - All Funds (continued)

C. Contractual Services

Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, and accounting and auditing services. Audits will be performed in 2011, 2013, and 2015 and will be paid from the General, Water, and Sewer funds.

For 2011 through 2015, property insurance is anticipated to increase 10 percent each year.

Increases in various utility costs are projected between 3 percent and 8 percent based upon historical trends.

D. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies (chemicals, salt, and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to increase between 3 percent and 10 percent per year based upon historical trends.

E. Capital Outlay

In 2008, the Village received a CDBG grant, in the amount of \$12,000, for playground equipment purchased from the General Fund. In 2009, the Village had additional expenditures for the playground equipment. In 2012, the Village plans to purchase a Gator, in the amount of \$17,000, to be paid from the Street Construction, Water Operating, and Sewer Operating funds.

F. Debt Service

The original issue date, interest rate, original issue amount, and maturity date for the Village's long-term obligations as of December 31, 2010, were as follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Maturity Date
Revenue Bonds				
Sanitary Sewerage System Construction Bonds	11/26/1984	5%	\$170,800	11/1/2024
Sanitary Sewerage First Mortgage Revenue Bonds	11/26/1984	5	345,000	11/1/2024
Ohio Public Works Commission Loan				
OPWC WWTP and Water Distribution System Improvement	7/1/2000	0	79,896	1/1/2023
Ohio Water Development Authority Loans				
OWDA Water Treatment Plant Improvements	2/28/2002	2	1,282,507	1/1/2033
OWDA Waterline Replacement	10/14/2004	2	260,399	7/1/2025

Revenue Bonds - The Village issued revenue bonds for the construction of a sanitary sewerage system, in anticipation of the collection of special assessments. The Sanitary Sewerage System Construction revenue bonds are paid from special assessments and the Sanitary Sewerage First Mortgage revenue bonds are paid from user charges.

Village of Alger, Hardin County
 Summary of Significant Accounting Policies and Forecast Assumptions
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Note 6 - Expenditure Assumptions - All Funds (continued)

OPWC Loan - The Village obtained an interest free loan from the Ohio Public Works Commission for water treatment plant improvements. The loan is paid from the debt service fund with transfers from the Water Operating enterprise fund.

OWDA Loans - The Village obtained loans from the Ohio Water Development Authority for a new water treatment plant and the replacement of a waterline. The loans are paid from the debt service fund with transfers from the Water Operating enterprise fund.

Principal and interest requirements to retire the Village's debt are:

Year	Revenue Bonds		OPWC Loan	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2011	\$14,000	\$12,750	\$4,000	\$47,940	\$24,260
2012	15,000	12,050	4,000	48,900	23,300
2013	15,000	11,300	4,000	49,900	22,300
2014	16,000	10,550	4,000	50,900	21,300
2015	16,000	9,750	4,000	51,926	20,274
2016-2020	92,000	35,900	19,974	275,712	85,377
2021-2025	87,000	11,050	9,987	304,555	56,629
2026-2030	0	0	0	256,932	28,178
2031-2033	0	0	0	138,375	4,179
	<u>\$255,000</u>	<u>\$103,350</u>	<u>\$49,961</u>	<u>\$1,224,240</u>	<u>\$285,797</u>

Note 7 - Transfers - All Funds

Transfers out from the Water Operating Fund include principal and interest payments for 2011 through 2015, in the amount of \$76,200 each year, to the debt service fund.

Transfers out from the Sewer Operating Fund include principal and interest payments for 2011 through 2015, in the amount of \$20,000, \$20,400, \$19,900, \$20,400, and \$19,800, respectively, to the debt service fund.

Note 8 - Other Funds

The Village has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

In 2012, the Village anticipates a street resurfacing project, in the amount of \$40,200. This will be paid from the Auto Permissive fund (not included in the forecast).

Village of Alger, Hardin County
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For the Years Ending December 31, 2011, through 2015

Note 9 - Pending Litigation

The Village currently has no pending litigation.



Dave Yost • 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
DECEMBER 20, 2011